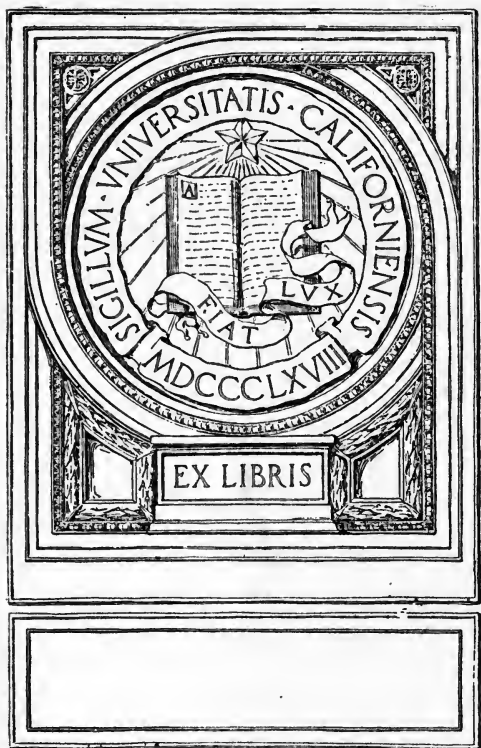


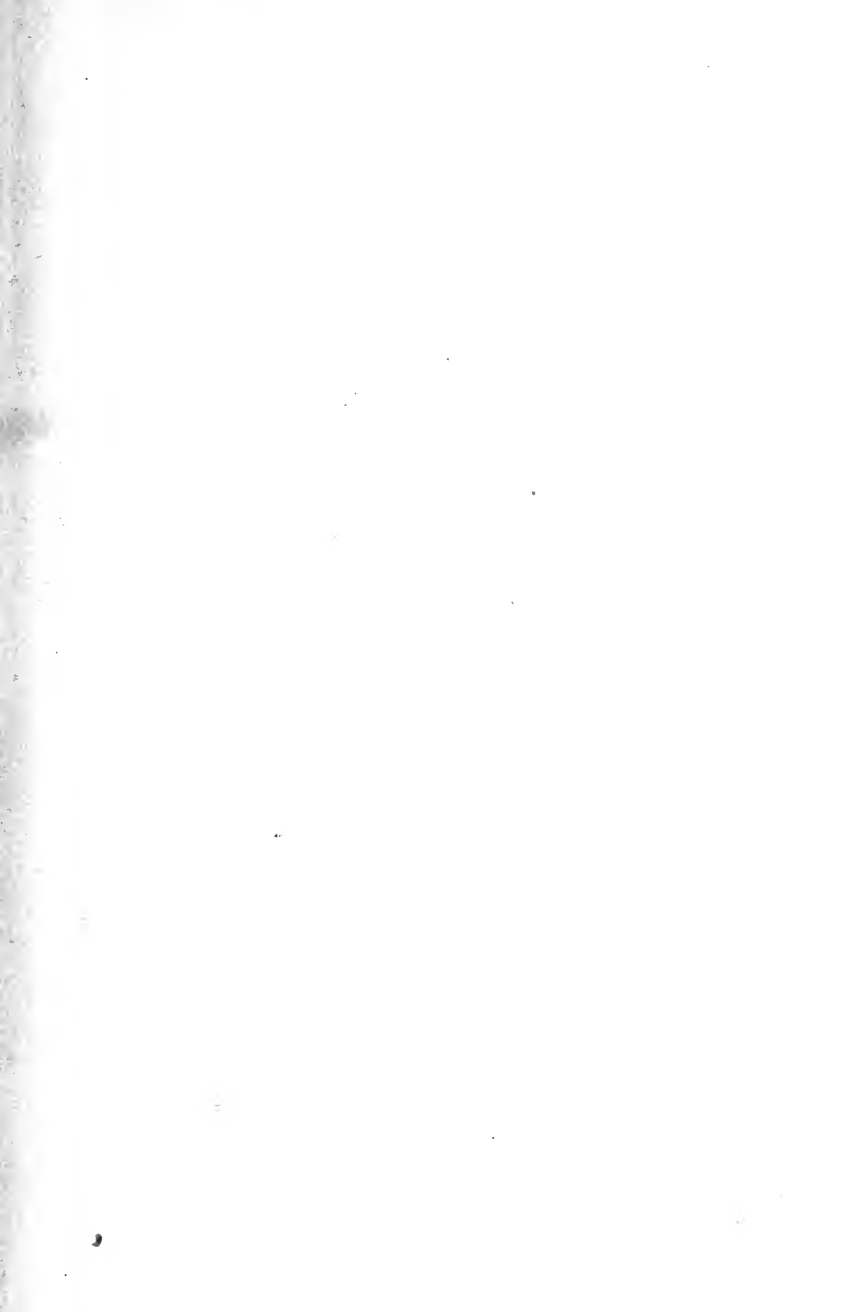
# LATTER-DAY PROBLEMS

REVISED AND ENLARGED EDITION

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J. LAURENCE LAUGHLIN





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## **LATTER-DAY PROBLEMS**

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# LATTER-DAY PROBLEMS

BY

J. LAURENCE LAUGHLIN, Ph.D.

Emeritus Professor of Political Economy in  
the University of Chicago

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NEW YORK  
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## PREFACE

No apology ought to be made for presenting to the lay public a series of studies on the economic subjects which have been pressing on our attention for solution in these latter days. It is certainly one of the most important duties of the economist to present the results of scientific work in such untechnical language that they may be understood by all. Indeed, this duty is the more required in these times when the metaphysical language of most recent economic treatises makes them sealed books to all but a very few experts. But, whatever the attempt at clearness and simplicity of statement, it need not follow that the exposition should have no scientific value to the economic student; for, so far as the author has been able, an understanding of the fundamental principles of economic distribution has been brought to the analysis of these questions of the day. Obviously, many allied considerations have been necessarily omitted in order to bring the main points at issue into distinct relief, and to secure that brevity which would assure a reading by the busy man; but clearness and brevity could be arrived at only by an insist-

## PREFACE

ence on the application of general principles to the apparently confusing facts of a modern problem.

Consequently, in the first six chapters, for instance, a consistent system of economic analysis ought to appear throughout the seemingly various topics. They deal with the methods to be applied for an improvement in the condition of those classes which have the least of this world's goods, and which most appeal to our sympathies and assistance. Economics is not to be regarded as an end in itself, but as a means by which our social conditions may be most thoroughly analyzed, to the end that the less fortunate shall be most efficiently aided and obtain permanent improvement. Everything should be welcomed which offers methods of treatment able to relieve us from the disappointing conclusion that, after untold efforts of mind and duty, we should, fifty years from now, be applying the same unsuccessful policies to only a larger number of persons in need of help. For this general purpose these chapters have been prepared; but no claim, of course, is made to exhaustive completeness of statement. In addition, it has seemed high time to try to dispose of the superficial impression that the scientific results of economics are out of harmony with the fundamental teachings of Christianity and ethics.

While examining the general subject of value



## PREFACE

my attention was drawn to the valuation of railways, and the chapter in this volume on that comparatively unstudied subject was the result of an attempt to apply general principles to concrete conditions. The question of insurance of deposits has entered into our politics, and been adopted in several States. As the studies on that subject have been asked for and circulated in considerable quantities in some States, it has seemed well to add them to this collection in book form. Thus, with the discussion of government and bank-notes, the later chapters must appeal most to the banking public, while the earlier chapters appeal to the wider constituency who wish to help the poor to a higher level of comfort.

I am under obligations to the *Atlantic Monthly*, *Scribner's Magazine*, and the *Journal of Political Economy* for the right to print some of these chapters in book form.

J. LAURENCE LAUGHLIN.



## PREFACE TO REVISED EDITION

IN order to secure a more homogeneous character to this treatment of social questions, it seemed best to omit the last three chapters, dealing with banking and monetary subjects, and to add five other chapters belonging to the same field as the first seven. The whole volume in its new form, therefore, is addressed to the one, although large, constituency which is looking to economics for aid in solving the so-called "social problem."

The omitted chapters may form part of another volume to appear later containing a series of "Monetary Studies," dealing mainly with the experiences of our own country.

My acknowledgments are due to the *Atlantic Monthly* for the right to publish here the chapters on "Women and Wealth," "Business and Democracy," and "Monopoly of Labor"; to the *North American Review* that on "Capitalism and Social Discontent"; and to the University of Chicago *Record* that on "Economic Liberty," which was delivered as the oration at the Ninety-eighth Convocation.

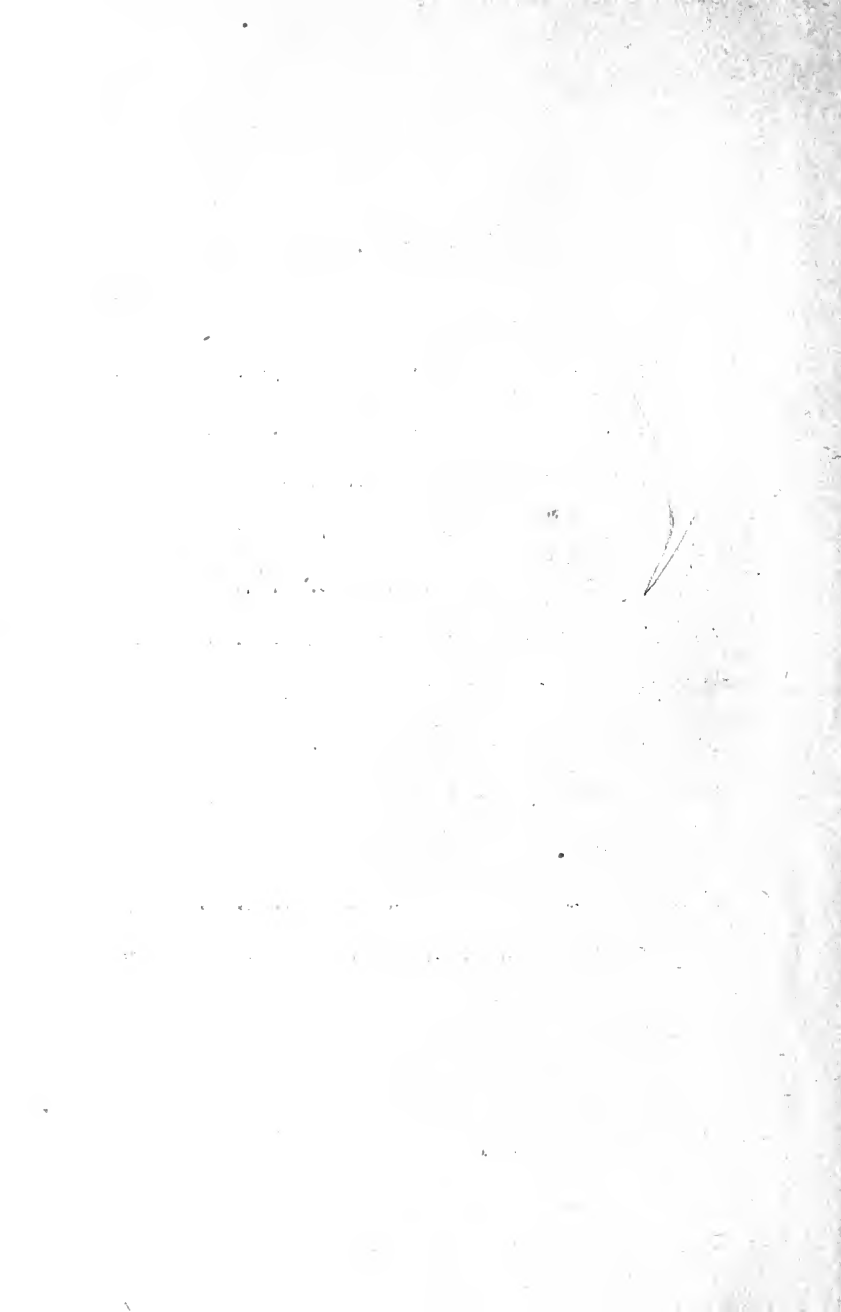
J. LAURENCE LAUGHLIN.

JAFFREY, N. H., October, 1916.



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# LATTER-DAY PROBLEMS

## CHAPTER I

### THE HOPE FOR LABOR UNIONS

#### I

THE difficulties constantly arising between employers and employees and the increasingly aggressive interference of labor unions with industrial operations have brought the labor problem to the front as never before. Here is a matter directly touching the public welfare which cannot be blinked; it must be squarely met and its solution must be worked out on a sound economic basis, or we shall never reach any substantial results. More than this, whatever our solution, and even if we arrive at positive truth, we shall yet have to face the difficulties of a suspicious mind on the part of those whose preconceptions differ from our conclusions. Indeed, one of the most serious duties of practical economists is so to wing the truth by publicity that it may enter the thinking of all classes and conditions of men.

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To this end, it will be worth our while to examine the principles and practice of labor unions solely in the interest of the men who make up their membership. We may leave the employer out of account in this study, if for no other reason than that he is the one who, by situation, intelligence, and experience, is generally able to care for himself. This reason, obviously, does not apply to the receiver of wages, who is now using the union as an organization for raising his wages as well as for lessening the duration and improving the conditions of his daily toil. First of all, it should be understood that we make no objection to organized unions. They have their unmistakable advantages, as well as their disadvantages. The friend of the workman certainly should wish to study how to increase the gains and diminish the losses from unions. In this spirit it ought to be possible to study impartially and honestly any and all defects in the principles on which labor unions are based. If the defects disclosed are obvious and important, then it would be stupid for society to ignore them; and the economist may be rightly called upon, as a consequence, to propose a constructive means for remedying the shortcomings of the unions to the end that their efficiency may be increased. Beginning first with



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a critical analysis of the present policy of the main body of labor unionists, it will be my purpose to follow this with a constructive plan by which the laborers may improve their condition through the agency of the unions.

### II

Accepting the aims of the labor organizations as above described, what are the means used to accomplish these aims? With this purpose all of us who are human must sympathize; all of us wish to see poverty reduced and the wages of the worker raised. There can be no disagreement on this point. The real question at issue, however, is, How can these results be brought about? On this point, it ought not to be necessary to say that we must divest ourselves of all stubborn pride of opinion, and look the facts squarely in the face. Nor can any system of ethics be maintained for a moment which, although based on sympathy, is not founded securely upon sound economic principles. If the unions also have built up a theory of class ethics which aims to justify conduct squarely opposed to the established order of society, and a conduct based on mistaken economic theory, then that code of ethics must go to the wall. Moreover, it

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will, in that case, be to the permanent good of the workers that it should give way to some other code.

What, then, are the means adopted by the unions to raise wages? Obviously, it is not possible to predicate in one statement what is true of all unions. There are many differing practical policies in force; and yet it is possible to indicate the one common economic principle underlying the action of the majority of the large and influential organizations. To be brief, the practical policy of labor unions is based on the principle of a monopoly of the supply of laborers in a given occupation. By combination also the gain of collective bargaining is obtained. Just as manufacturers attempt to control the supply and the price of an article, so the unions attempt to fix the rate of wages by controlling the number of possible competitors for hire. It would seem that what is sauce for the goose should be sauce for the gander.

The principle of monopoly, it should be observed, is effective in regulating price only if the monopoly is fairly complete; it must include practically all of the supply. But even under these conditions the price cannot be settled alone by those who control the supply. The demand of those who buy is equally necessary to the outcome. As a rule, the

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monopolistic seller must set a price which will induce the demand to take off the whole supply. Too high a price will lessen consumption and lessen demand.

In a similar way, not only must there be an active demand for labor from employers, but to fix the price of labor a union must control practically all of a given kind of labor. Here we find the pivotal difficulty in the policy of the unions; and we find clashes of opinion as to the facts. If the union does not contain all the persons competing for the given kind of work, then its theory of monopoly will be a failure in practice. In fact, the unions composed of unskilled laborers, such as teamsters, can never include all the persons, near and far, capable of competing for their positions. The principle of monopoly cannot be made to work successfully in such unions.

But it will be objected by union leaders that it is their policy to gather every laborer into the union, and thus eventually control all the supply in an invincible monopoly. The unions, however, do not, in fact, admit all comers. Some of them, such as the machinists, admirably demand skill as a prerequisite of admission; others, such as telegraphers, make the admission of apprentices practically impossible;

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while others again, like some woodworkers, find difficulty in getting apprentices, and consequently urge training in the public schools. In such variety of practice there, nevertheless, emerges the fact that many unions try to create an artificial monopoly by excluding others, and yet try to keep the union scale of wages by preventing in various ways the employment of non-union men. On the other hand, should the unions adopt the plan of admitting all who apply, then all laborers being unionists, the situation would be the same as regards supply as if there were no unions. Could the unions then maintain a "union scale" of wages? Evidently, if the whole supply of laborers is thus introduced into the field of employment, then the rate of wages for all in any one occupation can never be more than that rate which will warrant the employment of all—that is, the market rate of wages. Although all laborers are included in the unions, they would have the advantages, whatever they may be, of collective bargaining. Yet if the unions really believe that when every laborer is inside the union collective bargaining can of itself, irrespective of the supply, raise the rate of wages, they are doomed to disappointment. Wholly aside from the influence of demand, in order to control

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the rate of wages, the unions which include all laborers must effectually control immigration and the rate of births. No one, it scarcely need be said, is so ignorant of economic history as to believe that such a control over births can be maintained. There is little hope for higher wages by this method of action.

In the anthracite-coal regions, for instance, it may be said that strenuous efforts were made to force all the men to join the unions. If not only those on the ground, but all newcomers, are admitted to membership, then not all unionists can find employment in the mines. At the best, if they can fix the rate of wages which employers must pay those who do work, some will remain unemployed. In such a case, the working members must support the idle—which is equivalent to a reduction of the wages of those who work—or the unemployed must seek work elsewhere. Sooner or later, for men capable of doing a particular sort of work an adjustment as a whole between the demand for laborers and the supply of them must be reached on the basis of a market rate.

Whatever the reasons, the fact is to-day unmistakable that the unions include only a small fraction of the total body of laborers. In spite of the

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proclaimed intention to include in a union each worker of every occupation, and then to federate all the unions, the unions contain far less than a majority of the working force of the country. To the present time, therefore, the practical policy of the unions has resulted in one of artificial monopoly; that is, not able to control the whole supply, the union attempts to fix a "union scale" and maintain only its own members at work. This situation, consequently, means always and inevitably the existence of non-union men, against whom warfare must be waged. Under this system high wages for some can be obtained only by the sacrifice of others outside the union. The economic means chosen by the unions, then, to gain higher wages are practicable only for a part of the labor body, and then only provided all other competitors can be driven from the field. The policy of artificial monopoly being, thus, the common principle of a great majority of unions, we may next briefly consider the inevitable consequences of such a policy.

1. The immediate corollary of the union policy is a warfare *à outrance* against non-union men. This hostility against brother workers is excused on the ground that it is the only means of keeping up the "union scale" of wages. Although an artificial

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monopoly is unjust and selfish, and certain to end in failure, the unions have doggedly adhered to it so far as to create a code of ethics which justifies any act which will preserve the monopoly. This is the reason why a non-union man seeking work is regarded as a traitor to his class, when in reality he is a traitor to an insufficient economic principle. As a human being he has the same right to live and work as any other, whether a member of a union or not. The arrogance of unionism in ruling on the fundamentals of human liberty, the assumption of infallibility and superiority to institutions which have been won only by centuries of political sacrifice and effort, is something supernal—something to be resented by every lover of liberty. Unionism, if unjust to other men, cannot stand.

2. Since the "union scale" of an artificial monopoly is clearly not the market rate of wages, the maintenance of the former can be perpetuated only by limiting the supply to the members of the union. The only means of keeping non-union men from competition is force. Consequently, the inevitable outcome of the present policy of many labor organizations is lawlessness and an array of power against the state. Their policy being what it is, their pur-

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poses can be successfully carried out only by force, and by denying to outsiders the privileges of equality and liberty. Sometimes the means of enforcing their unenacted views is known as "peaceful picketing"; but this is only a mask for threats of violence. In fact, intimidation of all kinds up to actual murder has been employed to drive non-union competitors out of the labor market. Picketing, boycotts, breaking heads, slugging, murder,—all outrages against law and order, against a government of liberty and equality—are the necessary consequences of the existing beliefs of unionists, and they cannot gain their ends without them. So long as the unions adhere to their present principles so long will they be driven to defy the majesty of the law, and work to subvert a proper respect for the orderly conduct of government.

The dictum of a few men in a union has been set above the equality of men before the law. The union lays down an ethical proposition, and by its own agencies sets itself to apply it at any and all cost. This is a method of tyranny and not of liberty. The right of the humblest person to be protected in his life and property is the very cornerstone of free government. It means more for the



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weak than for the strong. Therefore the opinions of a loosely constituted body, representing a limited set of interests, should not—and will not—be allowed to assume a power greater than the political liberty for all, rich or poor, which has been a thousand years in the making. By the abuses of unionism there has been set up an *imperium in imperio*—one inconsistent with the other. One or the other must give way. Which one it shall be no one can doubt. The dictum of rioters will never be allowed by modern society to eradicate the beneficent results which have issued from the long evolution of civil liberty. If the platform of the unions is opposed to the fundamentals of law and progress, it must yield to the inevitable and be reconstructed on correct principles of economics and justice.

3. The labor leaders, finding themselves opposed by the strong forces of society, have at times made use of politics. They have sought to influence executive action in their favor. Mayors of cities are under pressure not to use the police to maintain order when strikers are intimidating non-union men. More than that, since the presence of soldiers would secure safety from force to non-union workers, union leaders have urged governors, and

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even the President of the United States, to refrain from sending troops to points where disorderly strikes are in operation. Not only the police and the soldiery, but even the courts, when used solely to enforce the law as created by the majority of voters, have been conspicuously attacked as the enemies of "organized labor." The hostility of these agencies in truth is not toward labor, or its organization, but toward the perverse and misguided policy adopted by the labor leaders.

The entry of unions into politics, in general, is a sign of sound growth. It is, at least, a recognition that the only legitimate way of enforcing their opinions upon others is by getting them incorporated into law by constitutional means. And yet legislation in favor of special interests will be met by the demand of equal treatment for all other interests concerned; and in this arena the battle must be fought out. The unions will not have their own way by any means. So far as concerns the rate of wages, in any event, political agitation and legislation can do little. The forces governing the demand and supply of labor are beyond the control of legislation. But other subjects of labor legislation have been introduced, as is well known, such

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as eight-hour laws, high wages for state employees, and demands for employment by the Government of only union men. All these efforts would be largely unnecessary were the action of the unions founded on another principle than monopoly.

4. The difficulties arising from this incorrect policy of artificial monopoly of the labor supply have been felt by the unions, but they have not been assigned to their true cause. Believing in this theory, even though incorrect, they have gone on enforcing their demands by methods unrelated to the real causes at work. They have tried to strengthen their position by claiming a share in the ownership of the establishment in which they work, or a right of property in the product they produce, or a part in the business management of the concern which employs them. They have tried to say who shall be hired, who dismissed, where materials shall be bought, by whom goods shall be carried or sold, and the like. Their purpose is not always clear; but it seems to be a part of a plan to keep the employer at their mercy, and thus under the necessity of submitting to any and all demands as regards wages.

In this matter the unions cannot succeed. The very essence of a defined rate of wages is that the

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laborer contracts himself out of all risk. If the workman claims to be a partner in the commercial enterprise, asking in addition a part of the gains, he must also be willing to share the losses. This is obviously impossible for the ordinary working man. Hired labor and narrow means go together. Capital can, labor cannot, wait without serious loss. Laborers, therefore, cannot take the risks of industry and assume the familiar losses of business. This is the full and conclusive reason why the laborer contracts himself out of risk and accepts a definite rate of wages. If he does this, he is estopped, both morally and legally, from further proprietary claims on the product or on the establishment.

By way of *résumé*, it is to be seen that the attempt to increase the income of labor on the unionist principle of a limitation of competitors has led into an *impasse*, where further progress is blocked by the following evils:

1. The wrong to non-union men.
2. The defiance of the established order of society.
3. A futile resort to legislation.
4. The interference with the employer's management.

## THE HOPE FOR LABOR UNIONS

### III

In contrast with the existing policy, which can end only in discouragement and failure, permit me, wholly in the interest of the membership of the unions, to suggest another policy which will certainly end in higher wages and open a road to permanent progress for all working men. Instead of the principle of monopoly of competitors, I offer the principle of productivity or efficiency, as a basis on which the action of unions should be founded.

By productivity is meant the practical ability to add to the product turned out in any industry. The relative productivity of labor operates on its price just as does utility on the price of any staple article—improve the quality of it and you increase the demand for it. This general truth is nothing new. The purchaser of a horse will pay more for a good horse than for a poor one. A coat made of good material will sell for more than one made of poor material. Why? Because it yields more utility, or satisfaction, to the purchaser. In the same way, if the utility of the labor to the employer is increased, it will be more desired; that is, if the laborer yields more of that for which the employer

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hires labor, the employer will pay more for it, on purely commercial grounds.

Now it happens that where productivity is low—that is, where men are generally unskilled—the supply is quite beyond the demand for that kind of labor. Productivity being given, supply regulates the price. Obviously, to escape from the thralldom of an oversupply of labor in any given class, or occupation, the laborer must improve his efficiency. That is another way of saying that, if he trains himself and acquires skill, he moves up into a higher and less crowded class of labor. The effect on wages is twofold: (1) he is now in a group where the supply is relatively less to demand than before; and (2) his utility as a laborer to the employer is greater, and acts to increase the demand for his services. Productivity, therefore, is the one sure method of escape from the depressing effects on wages of an oversupply of labor.

It is unnecessary to describe in detail the forms by which productivity shows itself in the concrete. If the laborer is a teamster, he can improve in sobriety, punctuality, knowledge of horses, skill in driving, improved methods of loading and unloading, avoidance of delays, and in scrupulous honesty. If, moreover, he studies his employer's business and

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consults his interest—instead of studying how to put him at a disadvantage, or instead of making work—he still further increases his productivity and value to his employer. In other occupations and in other grades of work the process is simple. In fact, it is the ordinary influence of skill on wages; and men have been acting on an understanding of it time out of mind.

To this suggestion it may be objected that the workman who makes himself more efficient receives no more from an employer than the less efficient; that employers treat all alike and are unwilling to recognize skill. The fact is doubted; for it is incredible that intelligent managers should be for any length of time blind to their own self-interest. But if they are thus blind, and if they place an obstacle to the recognition of merit and skill, then we at once see how the unions can make legitimate use of their organized power by demanding higher wages for higher productivity. Such demands are sure to meet with success.

This method of raising wages, based on forces bringing about a lessened supply and an increased demand, shows a difference as wide as the poles from the existing artificial method of "bucking" against an oversupply by an ineffective monopoly. To the

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laborer who wishes higher wages the advantage of the former over the latter is so evident and so great that further illustration or emphasis on this point would be out of place. In the economic history of the last fifty or sixty years in the United States and Great Britain it appears that money wages have risen by about fifty per cent. for unskilled labor to over one hundred per cent. for higher grades of work, while the hours of labor per day have been lowered considerably. Moreover, this gain in money wages has been accompanied by a fall in the prices of many articles consumed by the laboring class. This fortunate outcome has gone on simultaneously with a progress in invention and in the industrial arts never before equalled in the history of the world, and it is a progress which has enabled the same labor and capital to turn out a greater number of units of product. In fact, the enlargement of the output has been such that each unit could be sold at a lower price than ever before and yet the value of the total product of the industry has sufficed to pay the old return upon capital and also to pay absolutely higher money wages to the workmen for a less number of hours of labor in the day. Indeed, one is inclined to believe that the gain in wages by the working classes in recent years



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has been due far more to this increased productivity of industry and much less to the demands of labor unions than has been generally supposed. The productivity method of raising wages has the advantage over the one in present use in that it gives a *quid pro quo*, and excites no antagonism on the part of the employer. A pressure by strikes to have productivity recognized must be successful, since an employer cannot afford the loss consequent on hiring an inefficient workman. The insistence, as at present, on a uniform minimum rate of wages by process of terrorism, and without regard to the supply of possible competitors, cannot for a moment be considered in comparison with the hopeful and successful method through improved productivity. The one is outside, the other within, the control of any individual initiative.

Keeping these things in mind, those of us who would like to see a definite and permanent progress of the laboring classes believe that here the unions have a great opportunity. They must drop their dogged attempts to enforce a policy against the oversupply of labor by a futile monopoly; it is as useless and hopeless as to try to sweep back the sea with a broom. On the other hand, should the unions demand as conditions of admission definite

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tests of efficiency and character, and work strenuously to raise the level of their productivity, they would become limited bodies, composed of men of high skill and efficiency. The difficulty of supply would be conquered. A monopoly would be created, but it would be a natural and not an artificial one. The distinction between union and non-union men would, then, be one between the skilled and the unskilled. The contest between union and non-union men would no longer be settled by force. Thus the sympathy of employers and the public would be transferred from the non-union, or the unfit, to the union, or the fit men. If space were sufficient, interesting cases could be cited here of unions which have already caught sight of the truth, and greatly improved their position thereby. This policy unmistakably opens the path of hope and progress for the future.

In contrast with the mistaken policy of the present, we may set down the different ways in which productivity would act upon the four evils enumerated at the end of the second part of our study:

1. The wrong to the non-union man would disappear. The rivalry of union and non-union men would no longer be the competition of equals, because the non-union, or inferior, men would be out

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of the competition for given kinds of work. There is no wrong to a non-union man if he is excluded from work for inefficiency. The wrong of to-day is that the union often shields numbers of incapables.

2. Since the unionists would represent skill, and the non-unionists lack of skill, there would be no need of force to hold the position of natural monopoly. The perpetual defiance of the law in order to terrorize non-union men would have no reason for its existence; and the worst phase of unionism would disappear. Such a consummation alone would be worth infinite pains; but if it should come in connection with a policy which is morally certain to improve the condition of the workmen, not to reach out for it is little short of crime.

3. As another consequence of the new principle the unionist would find himself and his comrades steadily gaining a higher standard of living without resort to the artificial methods of politics. Legislation would not be needed to fight against the results of the oversupply of labor. Like ordinary business men, the unionists would find their affairs peacefully settled in the arena of industry by permanent forces, and not in the uncertain strife of legislatures and political conventions, in which they

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are likely to be outwitted by clever party leaders. And yet the workmen would retain in their organized unions the power to command justice from those employers who are unjust.

4. The new policy would insure community of interest between employer and employee. This objective is so important, it has been so outrageously ignored in countless labor struggles, that to attain it would almost be like the millennium; and yet, instead of being moonshine, it is simple common sense. If the laborers knew and acted upon the fact that skill and good-will were reasons why employers could pay better wages, the whole face of the present situation would be changed. If it were objected that the unfair and grasping employer would pocket the surplus due to the improved efficiency of the laborers, it must be remembered that the unions still retain their power of collective bargaining. But, of course, the unions must not believe that demands can be made for advances of an unlimited kind far beyond the services rendered to production of any one agent, such as labor.

The new proposals would also completely remove the disastrous tendency to make work. If men obtain payment in proportion to their produc-

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tivity, the greater the product the higher would be the wages; for this has been the reading of economic history, no matter how individuals here and there protest. Hence the result would be lower expenses of production, a fall in the prices of staple goods, and a generally increased welfare among those classes whose satisfactions have been increased.

Not only would the consumer be benefited, but the increased productivity of industry would enable the home producer to sell his goods cheaper in foreign markets. As things are going now, the hindrances to production and making work by unions are the serious influences now threatening to contract our foreign trade. The new policy proposed to the unions would therefore aid the United States in keeping its present advantages in the field of international competition.

While it has been impossible to discuss fully all the points which may have arisen in the reader's mind, it must suffice to bring into bold contrast the present erroneous policy of the labor unions with the possible one of productivity. In a very true sense, the labor problem is a conflict between different grades of skill. Legitimate industrial success comes with the ability to use better than

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others the agencies of production. One reason why managerial power commands such high wages is that a highly capable leader in industry receives returns not merely for the use of capital, but because he sees and grasps an opportunity where other men see nothing. No matter where a man begins in life, if he has skill, insight, foresight, judgment, knowledge of men, and managerial force, he will gain at least—if not more than—in proportion to his productivity. Therefore, if the unions wish to elevate their fellow-workers, instead of breaking the heads of non-union men, they should set a premium on industrial education. It ought to be as easy for a working man's child to become a skilled craftsman—a machinist, carpenter, mason, or bricklayer—in our public-school system as it is to acquire geography and algebra. By eradicating industrial incapacity and substituting skill therefor, we should be increasing the wages of all classes, developing wealth in all forms, and enlarging the well-being of the whole nation.

## CHAPTER II

### SOCIALISM A PHILOSOPHY OF FAILURE

#### I

IT is impossible not to sympathize with many of the purposes of socialism. Looked at sympathetically, its objective propositions are the result of a state of mind rather than of a logical system of thought; and one cannot be indifferent to this state of mind. To be sure, it is a matter of temperament rather than of reason; but one has an honoring sense of respect for those who, having listened to the songs of the sirens, have no desire ever to return to the land of humdrum. By this one means to express the idea that socialists are primarily idealists, and that they have arrived at their land of dreams by the highway of idealism; and that it is precisely because they are idealists that they are ever wishing to escape the sordid requirements of a world largely built upon *bourgeois* virtues. Thus it results that, as an idealistic expression of what life might be, it appeals strongly

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to the latent idealism in all of us—especially to those who for one reason or another find ourselves little endowed with material wealth, and who wish the opportunity for leisure, and for enjoyment according to our tastes. Whatever our level of education or intelligence, we are all of us striving to get the means of enjoying that which seems to each of us the most attractive way of spending our time. To the most of the working men it is a desire for freedom from constant grinding manual labor; and to mental laborers, it is a desire to escape from nervous strain and anxiety, and to have leisure for enjoyment.

Thus, while socialism appeals to an almost universal longing in human nature, it has, on the other hand, the obvious and inevitable inconsistencies of a theory detached from the tyrannical rule of fact. While idealizing the possibilities of human nature to suit an *a priori* conception of life, until this poor human nature is fairly unrecognizable, socialism proposes, as one means to its end, to obliterate the effects of existing conditions by the removal of competition in the struggle for material existence. That is, it suggests material means to bring about ideal conditions. It does not primarily put its emphasis on the improvement



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of human nature, but upon a change in the distribution of material wealth. The socialists are seemingly not concerned in building up an Altruria where the only end is goodness and where satisfactions are only spiritual. It is what seems to them the unequal distribution of material possessions which causes them to criticise existing society. Throughout socialistic literature there is the well-known insistence upon the materialistic interpretation of history—a conception based upon a hunger for things of material enjoyment, and for more and more of them. Fundamentally, they have as much centred their aim on an increase in material possessions as the veriest Napoleon of finance in Wall Street. An existence in which the acquisition of more material wealth is of very large—if not of chief—importance is in the thoughts of both.

The ends sought for by the socialists are not, in effect, different from those of the mass of non-socialists who are striving to acquire wealth in order to have ease and leisure for enjoyment. Agreeing in their aims, their differences—which seem to most persons to place them as wide apart as the poles—really consist in choosing different means of accomplishing their ends. The ordinary hustler

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for wealth, without or within the stock market, may have no definite moral restraint except the fear of the law (in fact, he may even contrive to escape the law), and he accepts existing institutions; but he plans to gain his end, if honest, by productive processes and trade; or, if dishonest, by a thousand ingenious ways of transferring to himself the wealth created by others. On the other hand, the socialist proposes to overturn industrial competition and the institution of private property in the hope—vaguely outlined and not economically analyzed—of transferring the use of wealth from those who have to those who have not. If he does not now have wealth, from whom is he expecting to get it, when socialism has come to its own? Possibly he has a dreamy belief that wealth can be created and maintained in existence by the public will, and should be equally distributed like water from a municipal reservoir. Clearly enough, while planning for a more even distribution of wealth, the essence of socialism is to be found in the means which it proposes for accomplishing an end desired by most of us. In brief, the means are the abolition of competition and of private property. By these tools the fabric of idealism is to be builded in the future land of dreams.

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### II

Some evidence as to the truth of the observation that socialism is the outcome of a state of mind, rather than of a logical system of thought, is, to my mind, to be found in the failure of the socialists to recognize the actual conditions under which we are forced to live on this globe. It is characteristic of devotees of any system based more or less on feeling to be so absorbed in *a priori* and agreeable theorizing as to be utterly oblivious to the actual and disagreeable facts of our daily existence. Grant that we all wish the comforts and satisfactions which material wealth gives, we are obliged to face the real question, no matter how bald and disagreeable it may be: How can we get possession of this wealth? Leaving fraud, robbery, and force aside, by what methods can men produce and possess material wealth in a free country like ours, which is unburdened by a feudal system and in which life and property are protected? Is it not possible that, at this point, the socialists have omitted to consider some matters of fact which can be observed by any one? Indeed, have they been quite fair with themselves, in passing by considerations—which we may here proceed to point out?

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In the first place, we can get our material satisfactions only by producing them in the ways set by the conditions of life on this globe. These are of a kind not to be lightly brushed aside. We are not living on Mars. On this planet, the earth yields its products only on terms which require ability to overcome and use the forces of nature; to foresee and discount the future, and to collect present goods in order to gain a larger future product in operations requiring a considerable period of time; to use human effort both manual and mental; and to devise means by which the co-operation of all these powers may be united for the most efficient conduct of industry. No matter whether we like it or not, the actual wealth in existence to-day—whether distributed unjustly or not—has come into being only by the operation of these forces. Destroy, or minimize, any one of them, and the total sum of material well-being will be reduced. As to this point there will be little difference of opinion between socialists and non-socialists.

But it will be retorted that, although wealth is produced only by the above painful processes, the acquisition of wealth—or its distribution after it is produced—is mainly unjust; that it is the illegitimate acquisition of the world's great output of

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wealth which is the true cause of the belief that the existing system of society is out of joint. If, however, we admit the general conditions only under which wealth can be produced, we must also be ready to assign distributive shares to those who have contributed the forces, or means, necessary to bringing the wealth into existence. We may grant that not all wealth is to-day the property of those who have gone through the efforts and sacrifices of production; but it still remains true that wealth—no matter who owns it—is turned out only by the exercise of what are sometimes slightly dubbed the *bourgeois* virtues. It still remains true that the existing income of society depends upon the exercise of the qualities of effort, sacrifice, patience, persistence, courage, honesty, integrity, truthfulness, skill, thrift, application, foresight, judgment, common-sense, business honor, long experience, observation of men's wants, precise information, knowledge of human nature, capacity for managing men, executive ability, and organizing power. Any man who has had business experience knows this to be true. Yet, the socialist may grant all this; he may admit that wealth can be produced only under the severe conditions just described; but he may rest his

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whole case on the claim that this wealth is unjustly distributed. No doubt, the state of mind which in these days is called socialistic arises from a belief that the present competitive system of industry inevitably causes inequality of possessions and injustice in the distribution of what is produced. Hence the central point in the socialist philosophy is a demand for the abolition of competition and a recourse to State control.

### III

In all fairness, we must recognize that things economic are not perfect; that human beings do not always do what is right and just; and that we must accomplish our industrial work on this globe with faulty men. Looking at the matter thus, we find much to sympathize with in the fundamental causes which stir the socialists to action. They find things wrong, and they have set to work with burning zeal to make them right. In this desire of theirs to improve the world every one must sympathize. Without radicals to break up wrongs to which we have grown accustomed we shall have little progress. Conservatism is too often the refuge of unjust privilege. The only question, therefore, in regard to socialism is: Is it a means appro-

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priate to the end? Let us face the matter calmly as practical men. Many schemes, from the times of the crusades to the present day, have been devised for making the world better. We have had many Utopias pressed upon us. In the one particular scheme known as socialism, the remedy proposed is the abolition of competition and private property. Will this remedy remove the ills of which society is sick?

At the outset we must face the fact of the imperfection of human nature. With or without socialism this fact remains; it cannot be dodged. Is socialism, like Christianity, a proposed means of changing the ethics of the human race? On the contrary, it is based on a materialistic conception of life. It proposes a change in externals, in the forms of society, as a means of eliminating evils which have their roots in faulty human nature. It is, so to speak, an insistence on only partial—not complete—changes in environment as the sole power to cause a recrystallization of human mind in a new ethical form. Socialism obviously proposes no practical process for changing the elements of human nature; invariably the reforming spirit of socialism is taken up with the detailed schemes which for the time seem to need a cure.

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One does not need to be a socialist to help reform any particular existing abuse. Consequently, unless socialism can modify the essential elements of imperfect human nature—and modify it not in a few instances, but in the whole mass of men—it cannot in itself expect to relieve the world of any injustice in the distribution of property due either to the inequality or iniquity of men. Unless socialism can convince us that merely by the abolition of competition and private property there would be created a new and fundamental virtue in human nature, there would be no reason to look upon it as anything more than another of the well-meant but useless panaceas proposed by emotional reformers.

Since imperfect human nature, the bad mixed with the good, is absolutely certain to remain much the same under socialism as under existing society, what can the socialist expect to gain by the removal of competition? Will inequalities in ability and power be unknown? Of course not. Then, will inequalities of reward be unknown? Of course not. Under any legitimate system of production men will show unequal industrial powers. Some are energetic, others lazy; some are quick, others are dull; some are thrifty, others are wasteful;



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some are born organizers, others are born to follow; only a few are leaders of men, while the masses are inevitably managed by the few. Consequently, under any form of society, we are certain to have as many different results from industrial effort as there are kinds of men. Inequalities of wealth are logical, not abnormal. While some men—no doubt high-minded, artistic, or creative—are failures in accumulating wealth, others—possibly of less value for the improvement of society—are successful in gaining large fortunes. It depends on the aim in life. If wealth is the only test of success, then the world is indeed out of joint.

As a cure for the ills of this world, however, socialism proposes a scheme—whether practical or not is not here the question—based on a change in the possession of material wealth. That is, will the spending of more money directly lead to the improvement of character? All history, and the present conduct of our richer classes, seem to show that greater self-indulgence followed by a weakening of fibre, with a lowered moral purpose, are the inevitable results of unrestrained expenditure. This holds true, in spite of the theory that, by equalizing the expenditure of all classes, the poor would be elevated in the moral scale by having

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more to expend, and that the wrong-doing of the rich would be reduced by taking away the power of self-indulgence. It cannot be overlooked that human nature is much the same in all classes. Increased expenditure in itself will not provide the character to govern the spending; so that self-indulgence will be only transferred. Clearly, an increase of material rewards—while a gain to those already having a moral sense—would give only wider play to the existing defects of human nature. If spending is made possible to those who have not earned it, deterioration is inevitable. What we should hope to see instituted is a proper means of increasing the productive efficiency of those who have little, so that their opportunity for enlightenment may be larger without the destruction of fibre.

The radical weakness of socialism is in its attempt to coin idealism out of materialism. In the proposed abolition of competition and private property, socialism would take away most of the present incentives to energy and productivity. More than that, it stakes everything on the assumption that a partial change in external environment—such as would be produced only by the disappearance of competition and private property—would

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overcome all the faults of human nature which now disturb our social content. To take a child away from its surroundings in infancy, although it may not remove its hereditary nature, may establish new habits which will influence its conduct; but socialism does not provide for any such extended removals. People are to be left in the same general environment, while, of all the varied conditions of life, only competition and private property are to be removed. Is there any such virtue in the abolition of these two as will reform all human nature? That it will we have no evidence but the glorious hopes of the enthusiasts.

Since the socialist grieves at the unequal distribution of material wealth, and regards a better distribution as essential to the reformation of society, one is obliged to ask at once why the socialist does not himself set to work and accumulate wealth as well as others? In our country there are hundreds of thousands, if not millions, of cases where men have begun with nothing and accumulated a competence. Why do not the socialists do the same? If material wealth is the cure-all, why not go in at once and get it? The answer is not far to seek. They claim that they have no chance of success in the competitive struggle with others.

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They wish wealth, but they do not possess the *bourgeois* virtues necessary for its acquisition under existing conditions. Therefore, they wish to rearrange society so that those who do not now have the industrial qualities may obtain wealth as well as those who do have them. Of course, they do not explain who is to produce the wealth they are to share, and which they are incompetent to produce. That is supposedly an insignificant detail. However this may be, the central point in the question is this: having admitted their failure to achieve success in accumulating material wealth in a competitive struggle open freely to all, they propose the abolition of free competition. State control is to take its place. Here we have socialism confessedly as a philosophy of failure. Just to the extent that the socialists insist on their inability to accumulate as much wealth as others, under existing conditions, they are unconsciously advertising their own industrial inefficiency. They clamor for a philosophy of failure—for a system in which they shall be relieved from the inevitable results of their relative inferiority in obtaining the material means which they regard as essential to their idealistic ends. Those resort to it who are unequal to the competitive struggle and to the survival of the

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fittest in gaining material wealth. For instance, if Harvard were always victorious over Yale in foot-ball, and, if, then, Yale should propose an existence in which there should be no foot-ball, Yale would be generally regarded as having failed, in that particular sport, in holding her own on equal terms. She would be regarded as having fallen back on a philosophy of failure. But it would still not prevent Yale men from gaining success in other things than foot-ball. Likewise, it should be observed that gaining other things than wealth, such as character and lofty conduct, has little or no emphasis in the philosophy of socialism. In short, the appeal to socialism is an appeal against the inequality and imperfection inherent in human beings; and the ineradicable weakness of socialism is that it charges upon the external forms of society what should be charged upon poor human nature. Only too often, socialists seem to be incapable of seeing this gap in their logic.

In spite of all this elementary truth, every one is aware that a stimulus to the socialist propaganda is found in the constant iteration upon special privileges obtained under present conditions. Vehement assault is made upon the grant of legislative favors and monopolies by which some per-

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sons are believed to have accumulated great wealth at the public expense. Therefore, say the socialists, abolish competition and private property. Any system is wrong, they say, which permits any one man to accumulate a colossal fortune. Yet here is an obvious *non sequitur*. Grant that these wrongs are as they are represented; yet it does not follow that we need to change the forms of society to rid ourselves of the evils. On calm examination, this criticism of society, as it now goes on, seems to be directed not against the intention and purpose of modern society, but against the failure to carry out the intention and purpose of society as now expressed in existing institutions. If it is the general intention not to allow injustice, there is nothing, as things are now, to prevent the public from carrying out its intention. The remedy for these wrongs, granting their existence, is to be found, therefore, not in the destruction and reconstruction of society, but in the active co-operation of all well-meaning men in enforcing the admitted purposes and capabilities of the existing forms of society. That is, equality of treatment before the law and equal justice in the courts are entirely the outcome of public opinion. If public opinion does not demand them, socialism may pass resolves until the

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crack of doom without accomplishing anything. The only real remedy for such ills is always in the hands of society as it now exists. If they are allowed to go on, it is because men are indifferent; not because the forms of society through which they act are necessarily inadequate.

Moreover, the touch-and-go way of proposing to topple over the long-established institutions of society because some things are not done as we like is another evidence of the emotional and unpenetrating methods of some modern reformers. These institutions are the growth and outcome of the very inner nature of mankind; and this has been confirmed by the instincts which have been created by the long-continued existence of these institutions. For ages men have been working out representative and local self-government solely by dint of the experience of the race, and not by the light of any *a priori* theory of the dreamers. This is the teaching of the whole history of free and constitutional government. We have come where we are to-day solely because, in free countries like ours, we have succeeded in repressing inequality due to injustice, tyranny and force. In truth, great accumulations of capital were never possible until equality and justice of treatment were secured to all. The

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socialist side-steps the essential lesson drawn from the political development of the race—chiefly because he finds that men are not yet perfect. It is no argument against the existing forms of society that absolutely perfect justice and equality are not always obtained. Present institutions reflect fairly well the qualities of erring human nature. Only as a race grows in ethical standards will its institutions respond. The cause of change must be in the qualities of man and not in the institutions which grow out of those qualities. Frail human nature cannot be made perfect by the limited programme of socialism, any more than a frog can be made to grow fur by legislation. The detachment of socialism from the facts of life is here again apparent. Present society is what it is, historically and evolutionally, solely because it is conditioned by the very human nature given to us to work with on this planet. It is absurd to reason as if we were perfect angels in a perfect paradise. Socialism is a dream of perfection suited only for a perfected human nature.

### IV

Yet the more practical of the socialists may with propriety reply that the conditions of living on this planet do not oblige society to give special oppor-



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tunities to some and deny them to others; that society can do as it pleases with the free gifts of nature; and that private property is not necessary to securing the highest efficiency and happiness of man. There is force in this criticism. There is no divine right in private property; it is a creature of the social will. It has come into existence by the consent of society, and is what it is as the outcome of the experience of the race. It is not an accident; it is an expression of the wishes of the race as they have been developed by time and evolution. It is with us because men believe, for good or for ill, that the institution has best served their purposes through many centuries. It remains, and will remain, solely because men believe that they get more good than evil out of it. It is not pretended that imperfect human beings will make out of private property in land an institution so perfect in every respect that no one in all conditions will meet with inconvenience or unequal opportunity. Even though there are things which weigh against it, enormous gains have come from private property, which send the scales down in its favor. It has given a stimulus to effort, thrift, and improvement of the soil by the owner which could never have been known under a temporary tenure.

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All scientific rotation of crops, all planting of orchards, all drainage of land, all permanent buildings and fixtures, all improvements which became incorporated with the soil, all lasting private docks, all costly business structures in the midst of great cities, all railway investments of private capital—all these would be made impossible without the expectation of permanent possession implied in the private ownership of land. And the recent transfer of ownership to former Irish tenants, which has admittedly brought out new thrift and industry, is a practical testimony to the magic of private property in land. Lasting improvements on ground-rents are made possible only by a tenure so long as practically to give possession during the life of the improvement and for several generations of improvers. To the intelligence of society as a whole these are preponderating advantages.

This justification of the action of the race, as shown in the institution of private property in land, does not imply that no disadvantages exist when the matter is carried to an extreme. Under the general protection to private property a man may so accumulate and control land as to work a disadvantage to society; he may keep vast tracts out

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of cultivation, to the damage of others. Hence, just as soon as the act of any one person infringes on the rights of others, society would have a right to interfere. In South America, especially on the west coast, the Indians of a low order of civilization have possession of a large part of the land. The suggestion there comes from those who are well-to-do and intelligent to dispossess the ignorant native of the soil in the interest of progress and greater productivity. With us the suggestion of limiting private property comes from the proletariat. Whoever may be the offender, it lies in the power of society to preserve the general mass of gains from the institution, and yet to establish rules by which the disadvantages may be minimized. If so, it would be unnecessary to resort to the remedy proposed by socialism and destroy all the vast gains to the race of private property in order to remove only lesser disadvantages.

Private property, of course, is not ideally perfect; it contains a composite of various possibilities. Under it, great and unexpected wealth may come to a man without any foresight or skill. A pioneer squatter in his log-house, living on scanty crops from a poor soil, may awake some morning to find he is living over a rich deposit of oil, or copper, or

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zinc. Possibly such discoveries may be regarded as partly belonging to the State, if the State is poor; but, as a rule, under private property, they belong to the owner of the land. It may thus throw opportunity and wealth into the lap of the lucky without the exercise of any toil or thrift. Many large fortunes have originated in this way. Nevertheless, such fortunes arise from an addition to the wealth of the world, and are not due to a subtraction from that produced by any one else. No one else is hurt. Unless such gains as these are permitted, however, it would be difficult to retain other and similar gains always expected by persons of small means. That is, millions of our people have bought farm lands with the expectation that the increase of population in their neighborhood would raise the value of their holdings. An unearned increment goes to the farmer; and no one seems to think evil of it, when it is small in amount. But the principle of equal treatment is involved whether the amount be large or small. Thus, there is here, in these cases, no reason at all for destroying all the enormous gains from private property because of some possible inconsistencies which are incidental to the general institution. To destroy the important gains in order to avoid some lesser evils, as would

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follow from the socialistic dogma, would be another evidence of detachment from the world of fact in which we live. It is like the traveller who throws away his shoes because they pinch his toes, and who finds himself as a consequence obliged to tread a flinty road in his bare feet. He is very certain to return to shoes sooner or later.

### v

Since the socialist believes—provided he is not himself the owner of property—that the major part of the crimes against society arise from contests for property, he may hope to regenerate social life by the annihilation of this source of crime. But unless human nature is transformed men will still be selfish and unprincipled whether private property exists or not. If a river is fed by a mountain stream, the river does not cease to exist merely because its course is diverted by blocking up its old river-bed. This discussion of the abolition of private property is as old as the Romans. It is now largely academic.

Nor is it of much avail to analyze the economics of socialism which have been filtered down from Marx through many absorbing and modifying minds. There is no uniform economic programme

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among the wide-spread sections of the socialist propagandists. As has been said, socialism is not a logical system of thought. A feeling of injustice having arisen, doctrines have been created from time to time, to suit the need. Socialism is not to be overcome by argument and economic analysis; it can be removed only by removing the causes of the feeling—however that may have arisen. Socialists hot from the ovens of European absolutism still sizzle after being placed in the cool air of free America. Unable to reason calmly, their emotions throw them passionately against any form of control, even that which free representative government has established in the general interest. Yet they place before them the shield of some sort of Marxian theory, behind which they fight.

Since inequality of wealth is believed to be due to a wrong social system, it was natural for the proletariat to devise a theory by which the value of the product was claimed to have been created solely by labor—meaning usually manual labor. By eliminating capital as a necessary agent of production, of course interest was regarded as a “steal.” Thus the rhetoric of socialism has produced a flamboyant literature in which the industrial struggle is always believed to be between labor and

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capital. And, consequently, capitalism is regarded as a system, and almost blackened with sulphurous invective. Whatever is meant by "capitalism"—and it is charged with countless sins—capital itself is as necessary to production as is labor, both manual and mental. This is a fact, to be observed by any one who has eyes. If labor is in itself all-sufficient, then why do not the laborers themselves go on erecting shoe-factories and cotton-mills and put the product on the market? There is absolutely nothing to prevent but the lack of skilled management, which, after all, is only a high grade of mental labor. It is silly to talk about capital not being needed in production. Capital and labor are both as necessary to each other, if production is intended, as the two blades of the scissors are necessary for cutting. It is a place for the old Roman story of the stomach and the other members of the body.

When socialists saw that the product provided more than wages for manual labor, they accounted for it by calling it "surplus value." This was only their vague way, in default of economic analysis, of explaining the existence of a sum which, in any modern industry, must go to certain other factors in industry which cannot by any possibility be

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overlooked if production is to continue. The socialist urges that wealth is unjustly distributed because the whole—or the major part—does not go to manual labor. If capital demands a share as essential to production, it sometimes excites cerebral irritation in the socialist. Now, if the laborer only knew it, he would find that the battle is going his way. The distribution is not going in favor of capital, but in favor of labor. Human effort is winning the day. Capital itself is necessary to production, whenever any division of labor exists; but the percentage received by capital, *qua* capital, is not an increasing share, or percentage. Ask any widow, who has been left capital by her husband, if she can invest her funds at an increasing rate. Then, what is all this excitement about? Why is capital so much abused? Simply because there are other factors in production which must receive shares, and the emotional theorists have not had enough horse-sense to see it; and they think that capital gets it all. The truth is, that the largest shares in industry do not go to capital, but to labor—not unskilled manual labor, but to skilled labor, and to highly efficient mental labor in the management and organization of industry. If the socialist but



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knew it, he would find this outcome to be the one cheerful and inspiring thing in the world of to-day. That is, the contest for the distribution of the wealth produced is one of laborers against laborers; and the cheerful thing about it, and that which opens up a vista of promise to any man of ambition and ability, is that industrial capacity will carry a man to the front and win the enormous wages which go to organizing power, just as surely as wind and muscle will win a Marathon race. The competitive struggle, which so agitates the socialist, is really a contest of inferior against superior labor power, of inferior against superior human effort whether physical or mental. Not understanding this, he wishes to escape the penalty of inferiority—not by improving the inferior until it equals the superior—but by resort to the philosophy of failure, and the abolition of the struggle! The folly of it is almost pathetic. It is more agreeable to be told that the cause of low wages is in something outside of him, instead of being instructed that the cause is within himself, in his native power or in his education and training. This is the homely truth which should be enforced, without regard to the popularity of him who says it.

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If pushed too hard, the agitator will still recur to the old point that large accumulations are obtained only at the expense of the share of others. As has been said before, there is both right and wrong in the world; so there are fortunes both rightly and wrongly won. Some fortunes, moreover, have been gained in providing for men the means of intemperance and speculation. Grant this. Yet, as things now are, society can, if it wishes, provide the necessary means of preventing these wrongs. Because reformers shrink at this task—the only practical remedy available—there is no reason for overthrowing all the institutions which have been evolved by the race in centuries of growth. The sound and healthy elements in society, the elemental sources of character and legitimate industry, should not be destroyed in the effort to strike out minor evils. That would be a mistaken maladjustment of emphasis. To assume that all wealth is won at the expense of others is to assume that all men are wholly evil. No mercy should be shown to wrong-doing in industry any more than in politics and government. Just as there are statesmen who are not corrupt politicians, so there are honorable men of affairs in industry. Indeed, the industrial world

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is full of examples of wealth honorably won. Because some men are evil, there is no reason for assuming that a materialistic philosophy bent on redistributing wealth will make all business men into perfect human beings.

### VI

The philosophy of socialism has spread in many directions under a kindly desire to make things right. It centres about the abolition of competition. Thus, in a way, it seems—perhaps wrongly—to decry the necessity of encouraging the free expression of individual activity in industry. It assumes that the evil-doing of society can be removed by the action of the state. If men are unrestrained, a vast amount of “social power,” it is said, is allowed to go to waste. Thus a paternalistic form of government is looked upon sympathetically even by those who would not wish to be regarded as socialists. The restraint upon the free action of human initiative is supposedly in the best interest of a country’s growth in power and happiness.

One point in this connection is clear: it is desirable to get all the gains of individual initiative and creative power, and yet to prevent the evils

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of unrestrained individualism. Hence, we get a very simple maxim of political interference: Just as soon as the acts of any person infringe upon the rights of others the State should interfere in the interest of equality and justice. Beyond this limit individual activity should be left untrammelled and encouraged to believe that it will receive all the rewards due to its own initiative. It is unquestionable that the continued imposition upon others of power and direction from outside inevitably tends to reduce the creative strength of the individual and to bring about a deterioration in the stock. The only way by which the best can be got out of the race is by stimulating rather than by repressing every possible kind of new energy—and by offering all possible rewards for its exercise. It is hardly conceivable that any one set of government officials should be so omniscient as to know just how to stimulate every other human being by processes of legislation.

Finally, it would be only fair to compare socialism, which is an ideal, untested by experience, with the competitive system, not as it is now, but as it would work out with a perfected human nature. To improve the world, living as at present under a competitive system, offers an induce-

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ment, as great as does socialism, to the eager idealist who wishes to work for righteousness. If perfection and noble ideals are established as permanent elements of the competitive system we shall have as great results as in the dream of socialism. But perfection is no more to be looked for in the one case than in the other.

Thus we are led to believe that, while idealism is an essential incentive to progress—and Americans are preëminently idealists—its path to definite results must lie in some direction other than socialism. Nor should we wish to be understood to mean that socialism has been wholly useless. It has forced its case to serious discussion; and the liberal conceptions behind it cannot, and ought not to be, lightly disposed of. But, as a practical people, who must deal with the world as it exists, we must inevitably conclude that socialism is not a means appropriate to the desired end.

## CHAPTER III

### THE ABOLITION OF POVERTY

#### I

**P**ERSONS disposed to exaggerate not infrequently tell us that we are living on a volcano; and that an upheaval more destructive than the French Revolution is close upon us, unless we set to and change the present conditions under which some have unlimited expenditure for their slightest desire, while masses of others struggle for a miserable existence only with pain and grinding labor. Certainly, in the whole problem of improving the economic status of mankind, the one phase which appeals most to us all is the one which concerns the lower class of unskilled workers. With those who have already won something, and who have already risen a round or two on the industrial ladder, we are not so deeply interested as with those at the bottom who are unskilled, the sport of every change of industrial demand, and ignorant of means of

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betterment. It is the beggarly sums received by those in uncertain and overcrowded employments—and too often the unemployment itself—which ought to stir our sympathies and set us to thinking. What have we to offer? If economics has nothing to present as an offset to the vague and often injurious schemes of the untrained sentimentalists, then it should retire to the limbo of useless and abandoned studies. In brief, what has it to say as to the elevation of a race, or class, in the scale of living? Has it any practical advice to offer for the abolition of extreme poverty? If we can offer even partial solutions of the problem, we may help those who come after us to get nearer the whole truth.

In this particular field, however, there is a deal of feeling and passion to be found, to say nothing of prejudice, narrowness, ignorance and intolerance. In matters touching everyday comfort and satisfaction, where misery and bitterness are often present, it is inevitable that there should be much feeling. Moreover, at the very time of fierce agitation—perhaps the cause of much of it—we have the rise of large fortunes, and as a consequence the striking contrasts presented between the very poor and the very rich. As if this were not enough, we have, as in the *ancien régime*, an

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exhibition of arrogance and show of wealth which, to say the least, is thoughtless and provocative of heart-burning and discontent. Thus, if masses of men are untrained in economic analysis, is it anything but natural that they should often believe that inequality of wealth is the result of despoiling the poor? And when unjust privilege has been shown—as in the past, or under foreign absolutism of to-day—to be the means of enrichment at the expense of others, it is right that the banner of revolt should be raised. There is no defence for special privilege. Nevertheless, under free institutions like ours, where public opinion rules, what is the case? We have, also, the very rich and the very poor. How can this be? Unfortunately for our progress in clear thinking, the sentimentalists have had almost the whole stage to themselves in the exposition of causes before the general public; and, worst of all, some of them have seen gain in telling the masses the things which it is believed would be agreeable, rather than in explaining the truth in its entirety no matter how disagreeable it may be. A half-baked economics has been given as food quite too long; indeed, the public has for some time felt the pains of indigestion from such diet.



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It is the existing state of discontent which has given the socialists their greatest opportunity. No doubt the contrasts in possession of wealth form the best soil for the socialist propaganda. Inequality of wealth is by the discontented taken as *ipso facto* the proof of injustice; and the appearance of the red flag in our streets is the measure of the numbers of those who feel deeply but who may be unable to give any economic justification of their hostility to existing institutions. It is fair to assume that the great majority of men are honest in their beliefs, and that they really wish to arrive at the truth. Therefore, whatever may be our preconceptions, it will not be amiss to try to discuss with candor the problem of improving the condition of the very poor. Whether one carries conviction to every one is not of first importance; but it is of first importance that there should be a fair field and a free discussion from all points of view, before we fly into a passion. Of socialism *per se* we have discoursed in the last chapter, but here and now we propose to ask directly: How can the wages of the poorest class be increased, and their level of material comfort be raised? The answer to this question touches all those engaged in the administration of our

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charities, as well as those who are face to face with the employment of unskilled labor. It touches all of us everywhere who wish to make bad things better.

### II

It is to the credit of the heart of man that his mind has long been dwelling on a diversity of schemes for banishing poverty. It would please us all to have some Utopia come true; but each one in turn has been rolled under the heavy car of unsentimental fact, and has expired. Yet we keep at the task of searching for a solution which may have its justification in the elemental forces of human nature working in conjunction with the actual world about us. Certainly no plan will be worth the candle which is not based on some accepted economic analysis. It is a matter for a life-study; and the emotional, kindly enthusiast must give way to the cold scientific student—at least to the point of a successful diagnosis, and before social nursing is called upon.

Besides socialism, many wonderful remedies have come and gone. Anarchism, in its fury at the wrongs of the world, would like to destroy everything; and yet the poor human race would

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have to take up its burden of organizing society again, and tramp the same old road of mingled discouragement and progress to the point where we are to-day. Society and government will never be perfect until human beings are perfect. Anarchism proposes nothing constructive. It is a passion, not a remedy.

In the train of socialism are found many minor remedies of which governmental interference is the main constituent. It is assumed somehow or other that bureaucracy can order the conduct of others in such a way as to permanently improve the material condition of the poor. How can it raise wages? Under political pressure the State may fix a rate of wages for those in its employment; but can it regulate the market price of labor? If so, it must control not only the demand, but the supply—including the birth-rate—in all areas where immigration is possible. This would be a heavier task than to regulate the price of wheat; yet the State would hardly attempt that. But municipal ownership of various public services sometimes appeals to the wage-earners on the ground that wages higher than the market-rate can be enforced. For the purpose of getting the labor vote this hope may be held out; but it

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can affect but a very small number of competitors for employment. And, if men who could not obtain high wages in the competitive field are favored by the State, then we have a case of special privilege for a few—rewards paid independently of efficiency—against which system no vituperation has hitherto seemed excessive. Just as soon as special favors are allowed, then the strong, the wily, and the men with the longest purse are certain to win. Such methods of raising wages are impossible; “in this way madness lies.”

To many minds it has seemed possible to reconstruct society and increase wages by the nationalization of land. Henry George's theory assumes that the industrial product is divided, in crucial instances, between labor and land—thus excluding capital. To the extent that rent is paid for land, to that extent, they say, it is subtracted from what should go to labor. George's conclusion is, in reality, based upon a system of distribution which has never been given much attention by critics. The absence of logic in his jointing of the theory of population, capital and labor is one which would be a treasure-trove for a student of logical fallacies in economics. Taken apart from his system of distribution, however, the question

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of the unearned increment was not original with George. The proposal to wipe out payments for unearned increments is at least as old as John Stuart Mill. Unless the remedy carry with it the abolition of private property—pure socialism, which George resented—it was clear that the State must become responsible for losses as well as gains in the value of land; and, with the purpose to eliminate value based on future gains, no practicable plan has ever been presented by which innocent investors in land can be equitably treated. Nor is attention given to what society would inevitably lose by thus giving up some part of the existing forms of property. But grant all the theory demands: How can nationalization of land raise the wages of the very poor?

If land is nationalized, the unearned increment would go to the State. Then how, as a consequence, are the very poor to have their wages raised? If made the basis for remission of taxes, the very poor who pay no taxes to speak of are not much benefited. Will the nationalization of land lead to the employment of more persons? Will the officials open a bureau where applicants may get a supplement to market wages? Who will decide what should be given a street-sweeper,

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what to a locomotive-driver? Or, if the State gets control of this magnificent fund, will politics be purer than they are now, and will the grafters or the laborers get the most? In such a game, will not the clever and unscrupulous get the lion's share; and where will the inexperienced working man come in? George's scheme is one which misses the central point of attack; it deals with external rather than with vital things affecting wages. To emphasize the question of land is to draw attention away from an essential reason for higher wages—the improvement in the productive capacity of the man. It is theory, pure theory; and a nationalization of land, no matter how strongly it appeals to many high-minded enthusiasts, offers us no definite means for getting higher wages for the very poor.

Next, quite distinct from the idealistic plans of the socialists, we have the immediate business demands of the labor unions for higher wages, less hours of labor, and some control over the industry in which they work. Here is a direct object, to be gained, as explained elsewhere,<sup>1</sup> by the method of monopolizing the supply of labor permitted to compete. The non-union man is left outside the

<sup>1</sup> Chapter I.

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breastworks. In all strikes, it seems to have been generally admitted that unions composed of unskilled labor, such as the teamsters, are easily beaten by the unlimited supply of unskilled labor which can be brought into competition at any point; and that the only means of success in that grade of labor is by the use of force against non-union men.

But it is this very class of the unskilled that we are most concerned with. Can the unions provide a plan for giving them regular employment, and raising their wages? Can they abolish poverty? Obviously, the principle of monopoly, under which unionism works, cannot regulate the demand of employers for all of the unskilled labor in existence; nor can it control the supply of competitors—for it is in this class that the birth-rate is the highest and immigration the most considerable. Whatever may be done by the unions—which include perhaps seven to ten per cent. of the so-called laboring classes in our country—they are least effective in the problem of helping the very poor.

Then, we are offered the aid of co-operation, profit-sharing, and minor proposals like consumers' leagues. Their help is not to be despised; they add to the sum total of gains for many classes; but co-operation and profit-sharing are for those

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who already have made progress up the industrial ladder, and who are in a position to go higher. And consumers' leagues deal more with sanitary than economic affairs; they may assure us that goods will not be produced in pest-breeding sweat-shops, but they cannot pretend to control the supply of labor, or the demand for it, and thus raise the wages of the worst paid labor.

### III

In default of success in solving the riddle by the various schemes thus proposed, we are obliged to resort to the constructive proposals which follow from the results attained by economic science. An economic analysis of the forces influencing changes in the conditions of the worst paid laboring classes, while presented with due regard to one's personal shortcomings, ought, however, to be received as an honest attempt to treat the inquiry from a serious point of view. The outcome may not satisfy those whose convictions are already immutable, but it may force the thinking along lines different from those in the plans above examined.

Nor is our objective—which is ascertaining the means of raising the level of comfort of the very



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poor—much different in kind from that which the statesman must face in studying how to elevate an inferior race. It involves an investigation into the psychological and educative processes by which human nature may be led to create an increased amount of economic satisfactions. The problem first faced by General Armstrong at Hampton, and which confronts Booker T. Washington at Tuskegee, is practically the same which confronts us, when we wish to raise the level of economic satisfactions obtained by the worst paid classes in existing society. With this problem economics has long been familiar. It is a truism to recite that an increase in the production of material wealth has its stimulus in the creation, or greater intensity, of human wants. A people without ambition, without a desire for improvement, without a wish for a product strong enough to overcome the obstacles nature presents to its growth or manufacture, cannot increase its economic well-being. Sloth, idleness, indifference, and lack of self-control enough to endure a present sacrifice for the sake of a future gain, will block economic progress for the class we have in mind. At Tuskegee, Mr. Washington reports that his pupils already have the intensity of wants

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which makes them ready for the learning of practical methods for producing that which will supply their wants. If wants, however, do not exist in a class long submerged in misery, poverty, and hopelessness, the very first step is to excite their wants—even if only for better clothing, food and primary necessities. Perhaps this point may seem to the well-fed, self-sufficient members of our community as rather academic. But the facts cannot be blinked. Only too many of those we are now concerned with have come to believe that the world is against them, that their lot is unchangeable by individual effort, and that help can come only from outside themselves. This is the reason why socialism, or paternalism, appeals to them so strongly; the cause why their material satisfactions are so small is agreeably placed upon the forms, or upon the action, of the State, rather than upon their own productive inefficiency. Therefore, without spinning fine webs of theory, we find ourselves thus early in our quest in possession of one of the general requirements for the relief of the very poor. That is, their wants must be enlarged and made more intense. These conditions are absolutely essential to progress.

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Of course, we must be prepared for a disdainful curl of the lip from the cock-sure social doctor, who informs us that the slums are full of those who have more wants than means of supplying them. Possibly so; but how many wish unlimited satisfactions and yet are unwilling to give up indulgences in order to get them? Such an attitude is not to the point. Wants must be strong enough to give rise to productive effort, and the exercise of all the homely qualities essential to patient industry. There must be kept in mind, too, that wants are both good and evil; and that the increase of wants which have only evil influences has no gain for the very poor. In fact, they are often poor because their wants are of the wrong kind. The great trouble too often is that wealth is wanted fiercely enough, but that the mind is constantly occupied in devising schemes by which it can be got without the usual sacrifices of effort and abstinence. Here is the paradise of the get-rich-quick promoters; and here is the chance to tell the gullible that others are getting rich at their expense.

Yet on the other hand, there is an increase of strong incentives to new and more intense wants, which are in fact supplying a firm basis for prog-

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ress in economic comfort. Indeed, one of the hopeful things in the present situation—although one which to many seems a very presage of revolution—is the wide-spread discontent with existing economic rewards. The industrial unrest, which causes anxiety in some quarters, is, to my mind, a healthy and hopeful sign of coming progress for the classes we have in mind; because it is the indication of ambition and a growing intensity of economic wants, without which practical proposals for increased productive efficiency would be futile. It has long been a commonplace that international trade has been an incentive to civilization and commerce with inferior races because the presentation to the mind of new articles and new methods starts fresh desires and is followed by the wish to satisfy these desires. But to-day with us the possibility of stolid acquiescence in poverty is less likely than ever before. In fact, the arrogant display of wealth, which is so often vulgar, is itself, by dint of great contrasts, a means of exciting the very poor to discontent, and to a wish to enjoy the comforts possessed by others. Of course, this incentive contains in itself potential danger, should men be taught that these stimulated desires for wealth can be satisfied in any other than

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legitimate means. Still emulation and imitation remain strong causes to aid in improving the condition of the very poor.

Furthermore, it may be possible to bring into existence new desires, such as the pleasure arising from knowing that a sum has been saved and put away to meet an unexpected need in the future. Much economic progress depends upon the kind of desires which are given strong emphasis. In this connection, we are led to indicate the point of contact between psychology and economics. Having made the economic analysis, we have a right here to call upon the psychologist to inform us how the human mind can best be touched to bring about the desired action by the individual. Not only is it a question as to how desires may be created or stimulated, but how to repress unfortunate desires, and to incite wholesome desires. Here is a wide, but uncultivated, field upon which we cannot enter, even if competent; for, as yet, no study of this psycho-economic and much-needed problem has been made. Here is where psychology has a large practical work to do for the help of organized charity and for the economist who is engaged in improving the condition of the poor. Indeed, the literature of the consumers'

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league rather loosely argues that society is to be saved only through changing the ways of consumption. That is, perhaps, only another way of saying that society can be saved only by making men better. For, if we assume that we can make men have only wholesome desires, we have made human nature perfect. It is a large contract, even for the Church, to make the whole world perfect; but we approve of the intention. For our present objective, we need to ask psychology for practical schemes to stimulate and to create desires for more economic comfort—as well as for desires of a legitimate kind and for sufficient character in the worker to persist throughout the economic processes needed for the continued production of what will satisfy these desires.

### IV

Given the desire for satisfactions and the willingness to produce, then, we are face to face with the need of practical methods of teaching the very poor how to produce. What a man can consume is, generally speaking, what he can produce; increase his productivity, and you will increase his control over the consumption of the articles which satisfy his wants. But before making

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specific suggestions for augmenting productive power, it is necessary to refer to a way by which the very poor must first be tested. They are usually herded in crowded city districts. First of all, those who are willing must be separated from those who are unwilling to work. The criminal, the lazy, the intemperate, the degenerate stand in an entirely different class from the unfortunate, the ignorant, the unskilled, and the temporarily disabled. The problem of treatment of the former is not an economic, but a political and social one; while the case of the latter is primarily an economic one. Keeping this separation in mind, what practical test can be offered to distinguish between the two kinds? The answer is, the offer of work. But, says an objector, shall the municipality assume the whole labor bill of the unemployed? Not necessarily. In the first place, municipal employment agencies are means yet untried to any extent; the means of connecting the special demand with the special labor is capable of very great development. More than that, some of the ideas connected with the antiquated poor-house system are capable of great variation. Indeed, the Salvation Army has already shown the way. For instance, farm labor is exceedingly

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scarce; and immense tracts of land are almost untouched. Let the municipality join with organized charity associations, and enable all those who are willing to be set to work upon the land. In case of ignorance, an intermediate period may be spent under skilled agricultural instructors, until the laborer can be sent to his own plot, where in due time he should be able to pay for his home while living a life of independence and honest toil. The cost of this method would be the advances for instruction and for the land, the outlay for which is to be repaid—a small outlay compared with sums otherwise spent for relief, and small as considered from the point of view of possible paupers changed to self-respecting owners of land. In a community whose ranks are well shaken into place movement is probably an extreme remedy, to be resorted to only by the consent of those concerned; but in a new country like ours, voluntary movement would be quite effective. Moreover, many may not be suited for the land, and training for other and mechanical industries must be kept open by industrial education. To be sure, all this is not as easy as it looks. In spite of the misery of poverty, great numbers will balk at continuous labor, and yearn for the heated dens of the gay



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city where the social instinct tends to hold them. In that case, they must be practically regarded as having gone over to the other class of the helpless and defectives, and be treated in a different way.

This trial method of testing the poor and unemployed has the additional advantage of falling in with a general economic principle upon which we must constantly rely in this discussion. Wages are low where employment is scarce and numbers are great. If laborers are taken away from congested city districts to the land, they are placed where supply is in a far better adjustment to demand. It is a principle of wide application for our special purpose. When we speak of increasing the productive efficiency of the very poor in order to give them greater consuming power, we refer to the hope of finding practical means of taking them out of the crowded class where demand for them is less relatively to the supply, and carrying them up to a less crowded class, where demand is greater relatively to the supply. More than that, it is a method consistent with the general theory of value by which anything, goods or labor, when given greater utility, gains greater exchange value. To make a laborer more efficient in production, other things remaining the same,

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increases his pay and his worth to his employer, just as improving the quality and power of a locomotive increases its value to a railway. Increased efficiency is to a laborer what increased utility is to a commodity. But while supply is in the long run dominant even over utility, the effect of increased efficiency, as human beings go, works in practice not only to increase his utility to his employer, but also to place him where the supply of his kind of labor is less. Higher wages are, therefore, in the natural course of events, almost inevitable, when efficiency is improved.

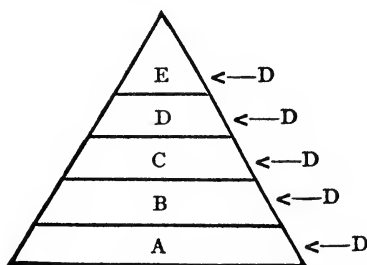
It has been necessary to ask the indulgence of the reader in thus introducing—even though briefly—some dry economic exposition; but it has been done in order that we might make use of it as a basis for some practical suggestions for bringing about higher wages. For, in the main, it can be settled that unless a proposal for helping the very poor meets the following requirements, it can have no permanent results of a helpful character:

It must (1) either reduce the supply of labor at a particular point of competition, or (2) it must operate in some way to increase the demand for that special kind of labor; and it can accomplish this latter end usually by giving labor more effi-

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ciency in the place where it resides. From the exposition above given we have thus obtained some general tests to be applied to every plan for aiding the very poor.

Labor, moreover, is not of one kind; it should never be reasoned about *en bloc*. Nor is there such a thing as a demand for labor as a whole. Labor appears in strata, as regards skill and industrial efficiency; and demand is, in fact, a demand for one or more men adapted for a specific kind of work. Roughly speaking, the situation may be generally expressed by the accompanying diagram, in which A represents the poorest paid



unskilled class, with which we are concerned, lying underneath other classes rising in skill and efficiency from B to E. Demand, moreover, in any one industry is for some labor of all classes; and in a country as a whole, demand is a sum of

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demands in all industries for men of the A class, or the B class, etc. For our present purpose we are concerned with the problem of raising the A class to a higher level. As things now stand, the members of the A class are the least well paid, because their numbers are larger relatively to the demand for them than those of the classes above; and it is the class in which numbers are most thoughtlessly brought into the world. Now our objective emerges clearly before us: How can we reduce the numbers of A, or increase their utility to industry, so that their wages may be larger?

(1) In the first place, a permanent effect can be produced only by increasing the industrial skill and efficiency of the members of class A. Every one knows that skilled gets more than unskilled labor. Moreover, if the skilled man turns in more product, the employer can afford to give him more wages, no matter what happens elsewhere. Then, if the man moves up out of A, he gets into a situation where demand for his sort is stronger and more extended, and yet where it is less crowded. Consequently, we ask: how can we start men to moving up and out from the A class?

(2) Obviously, the most effective plan ready to our hands is industrial education and manual

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training. General education in the public school helps, so far as it gives control over essentials and really sharpens the mind; but for definite economic progress it is very far from sufficient. As yet it may be safely said that industrial education is almost untried in our country, at least for the classes (such as the A class) most in need of it. For many poor people among us, who need the direct means of earning a subsistence, it is rather absurd to give them the studies of the leisure class. Also, many a boy dull in mathematics or science may have a good eye and a steady arm, and may make a skilful carpenter or bricklayer. Of course, the possibilities are as wide as the diversity of men. Germany is far ahead of us in providing technical schools for the artisan class. In short, we should make it as easy in our public schools for a boy or girl to obtain training in mechanics, plumbing, woodworking, cooking, telegraphy, etc., etc., as in geometry or chemistry. All this applies to women as well as to men. Women's wages are low because they are usually unskilled and also in a crowded class. Our cities and our towns should be dotted with training schools suitable for giving practical preparation for agriculture, manufactures, and commerce. At present, the unem-

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ployed or the very poor have no trade of any kind, or are confined to some one habitual task, like sewing on clothing cut by machinery. To-day, when carpenters or plumbers get five dollars for a day of short hours, and even "make work," no man handy with tools need be poor or out of employment long. It should not be necessary to press this matter upon the reader: its effectiveness for increasing the wages of the very poor must appear at a glance. In addition, its ultimate end is to inculcate individual independence and self-respect; it frees the laborer from servile dependence for his post upon the mere caprice of an employer. The increased efficiency given to an unskilled man increases his utility to his employer and increases the demand for his services.

Of course, it may be objected that if all the members of A were so far improved as to be spread over B, C, D, and E, these other classes would be overcrowded and their wages lowered. First, it is to be replied, the A class will always be with us, so long as human beings are imperfect and shortsighted; nor can all of them be improved to the extent mentioned. But grant that this were possible; it would be greatly to be desired. In such a case, the change in relative efficiency of various

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groups would cause some readjustment; but, the total efficiency of all the labor force having been increased, the total output of wealth created out of our resources in conjunction with capital would be greatly augmented. Thus there would be more than before to be distributed amongst the classes from A to E, in the proportion of their relative efficiency. That is, as elsewhere explained,<sup>1</sup> the contest for large shares lies between different classes of men, as physical and mental laborers (E being the class of skilled organizers), and not between labor and capital as such. Any gain, at any point, in industrial efficiency, therefore, enures to the advantage of society. Like rain in a period of drought, it cannot fall anywhere without making the planted crops grow, thus benefiting the single farmer as well as the neighbor with whom he trades.

(3) At this point, it is well to indicate that we have a duty even to those who are unwilling to work, to those who are "down on their luck." One is not yet ready to believe that because a man stumbles and falls he will be unable to walk again. There is no doubt that we have here a delicate and difficult task, if we hope to touch

<sup>1</sup> Chapter II, page 50.

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springs of action in those who have lost their self-respect. But it has been done; and by experience and insight it can be done again, and for more persons. It is impossible in this brief study, to go to any length into the details about the experiments which have been more or less successful in this respect. Yet there are practical successes, which are enough to make us feel that we need not count out of our working force at any time all those who at first show a disinclination to work.

In the main, for this whole class of the lazy, dishonest, and degenerate, there should be enforced care and work; and, above all, there should be watched the new emphasis now being given upon training men to be the guides and teachers of this class of persons. It is a new and distinct profession for which economic and other courses are to form a basis for their professional training.

(4) There is still another kind of instrument within our reach. Any one familiar with industry cannot fail to notice the advantage given to the possessor by a sum of capital, be it large or small. Specifically it gives him power over the future; and yet it has the magic of all things in the hand as against those in the bush. It is



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power, to be used for good or for ill. Therefore, if we wish to aid the very poor, we should try to help them become capitalists. This may sound aggravating to those who are as yet struggling for mere existence; but, in spite of possible scepticism on this point, it is a practical matter not to be overlooked. The attitude to saving is crucial; and this should be emphasized in spite of the prevalence of superficial thinking on this subject by some workers among the very poor. Saving arises from the ability to set a future gain above a present indulgence; and it is a point of view necessary in many other relations in which the very poor find themselves, especially in the practical question of the control over births. Once get the mental attitude of saving recognized, the result will bring a gain all along the line. Of course, everything depends upon what kind of future gain is given emphasis; but saving and its beneficial results are not to be disposed of because some savers are likely to be niggards. It is no argument against the principle of saving that a man may get so "near" as to refuse an orange to a sick wife, or store up money for the sake of a pretentious funeral; for this is not true saving. The influence of saving upon character is great,

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quite apart from the fact that the possession of even a little capital places a man beyond the ill effects of temporary unemployment. And the possibility of saving exists wherever the drink or tobacco bill exists. Finally, the possession of capital will bring reinforcements to the wages of labor, and helpfully increase the stability of his position.

(5) In close connection with the quality of self-mastery required in saving, it is to be noted that a gain in productive efficiency—by which a man may rise out of the class of the very poor—is largely a question of character. The power to select a definite object and to keep to it without being deflected by weakly yielding to distracting diversions is a condition of success in industry. Such self-mastery is but another name for character. Indeed, the moral purpose behind the expenditure of increased wages is quite as essential as the material gain itself. Therefore, a large part of the philosophy of success to be presented to the very poor is a grasp upon the pivotal things in character. Obviously this seems like academic preaching; but, at least, it brings out the truth that the problem of raising the very poor is not a matter to be finished in the twinkling of an eye;

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it is a matter of time and patience. Indeed, as improvement in industrial efficiency is so largely a question of character, it becomes evident that it is pretty nearly synonymous with making people good. In this task the church has been engaged for centuries, and men are not yet perfect. Thus we should not be discouraged if plans for abolishing poverty work with exceeding slowness. For instance, it is not to be assumed that the gain in industrial efficiency given at Hampton or Tuskegee will be lasting unless it is accompanied by some growth in a moral purpose.

The limits of space obviously prevent the writer from giving more concrete expression to plans for the aid of the very poor, or to discuss experiments already undertaken. It has seemed best to analyze and to order the thinking on this subject in such a way as to enable us to apply general tests of existing or proposed methods, and to know what sort of new schemes should be organized which would conform to the demands of sound economics. To my mind, if we have agreed that gain in industrial efficiency is a means of raising wages, through increasing the demand for that labor and lowering its relative supply, it would be just as appropriate to use taxation for

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this result as it would be to use it for the establishment of a public school system, for the construction of roads and bridges, or for the extension of rural delivery. That is, encouragement to the accumulation of capital by postal savings banks, by agricultural loan banks, by co-operative building societies, or the wide extension of industrial and manual training at the public expense, should be cordially supported in the interest of the very poor. Preparation for earning a livelihood ought not to be limited to arithmetic, grammar, and the like. And this must go hand in hand with a wider diffusion of economic instruction.

In conclusion, it cannot have escaped the reader's mind that, with all these practical schemes at work, there would still remain a substratum in Class A beyond the reach of improvement because of native incompetence, stupidity, or flabby character. What nature has joined together man is not likely to put asunder. For such a residuum there will remain only the services of public and private philanthropy; but help to the unfortunates is to the fortunate a duty, which kindly human nature will not shirk, in a community where hospitals, homes for incurables, and the like are fast becoming a matter of course. But, if we are able

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to reach a steadily increasing number of the willing poor by means of our economic methods and are able to get them moving toward permanent self-maintenance, we shall have done much of that which is humanly possible.

## CHAPTER IV

### SOCIAL SETTLEMENTS

#### I

THE close of the nineteenth century was marked by the rise of an unmistakable moral sentiment and philanthropy. The air came to be filled with an ardent altruism. A glowing idealism began to mark our literature and our academic activity. Its chivalrous desire to make the world better is still with us, and we all have a distinct feeling of pride that our kind have been able to bring such altruism to fruition. Whatever the exciting cause—whether or not the outcome was the immigration from England of the fine spirit set aflame by Maurice, Kingsley, Green, and Morris—our own generation here has felt the touch of a passion for righteousness the like of which has not been known for many a decade. It is a thing to be proud of; a thing which increases our faith in man,—in spite of the ugly dragons which it is obliged to drive out

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of its pathway. Possibly the sordid meanness of selfish struggles for power and wealth in politics and industry, in these last decades, has given a need to which this spirit was an immediate response. This zeal to make bad things better appeals to all of us high and low; and so far as in us lies we all wish to help on the coming of the dawn.

In this spirit, which aims to further, rather than to hinder, the progress of kindness among men, and to spread farther and extend deeper the curative processes in society, it will be permitted, I am sure, to examine searchingly the aims and methods by which the so-called "new philanthropy" is trying to work out its undeniably lofty purposes. No doubt any one who attempts to question any part of the programme is in danger of being misunderstood and of being vehemently set upon as a hostile, cold-blooded, and unsympathetic outsider; but even at that risk, one who is really interested in seeing the reign of better things become a permanent condition of our life will be justified in the hope that he will be at least granted the possession of an honest purpose. When a dog-sledge party is being sent to rescue a lost explorer in the arctic snows, it is not hostility, but real vital wisdom, to insist that the expedition

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shall go with food and supplies sufficient for all possible needs, and not with empty sleds driven only by excitable enthusiasts.

The course of this admirable renaissance of philanthropy has now run so long that we are in a position to take stock of results, and to put the methods to some tests of common sense. And as the finest and best results have appeared in the social settlements planted in our various centres of population, they will be the subject of our examination. Here it may be necessary again emphatically to protest against any possible misinterpretation of one's motives. This examination is made in an honest belief that the usefulness of such institutions may be increased, and not lowered, by forcing a kindly and thorough discussion of their aims, methods, and limitations. If any and all discussion is regarded as an indication of unfriendliness, then such discussion is all the more necessary as a means of breaking down the barriers of a narrowness that is unwilling to bear any light. The crust of habit in any course of action, especially if quasi-religious, is not always a sign of perfection. And, of course, those in our settlements who have given the most real service to others are the very ones who are



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most generous in welcoming suggestions, and most anxious for any criticism which is constructive and not destructive. For no one could possibly wish to minimize the good and the service which some splendid characters like Samuel Barnett and Jane Addams are now doing for their fellow-men. Any way, their fame is too securely founded for any lesser persons to detract from by word or implication, even if they wished,—which they do not.

### II

At the very outset the inquiring mind is obliged to ask of the social settlements: What is the objective; and what are the conscious means of reaching that objective? That they wish to do good is to be admitted at once; but that is not enough. Intelligent service must have a definite purpose. More than that, even if the purpose is clear, and all agree in its desirability, it is of great interest to know by what methods that purpose is to be reached. Even if there is agreement as to the end, there may be honest differences of opinion as to the wisdom of specific means.

In its origin, the settlement was the creation of non-religious altruism. In England, although

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Toynbee Hall was the suggestion of an English clergyman, Mr. Barnett, the initial movement came from non-clerical sources. In this country, the social settlement undoubtedly came forth because many of the churches were either sunk in self-contented inaction and not doing the work of practical Christianity, or because they were unable to satisfy the upward striving of the masses for better ethical guidance. It is the social settlement which has stung the church into action, not the church the social settlement. And, no doubt, the distinctly religious appeal is an obstacle to success, especially where divers nationalities and beliefs are crowded together in the poorer districts. Therefore, by way of differentiation, it cannot be said that it is the aim of the settlement to teach any particular religious creed. Possibly the real trouble with some of the churches is that they have been so long occupied with dialectics about the devitalized tenets of theology that people have reacted against all creeds; and the kindly disposed have gone off where they can find emphasis put upon the introduction into conduct of an active service to others. If it be assumed that religion is a way of introducing into conduct a code of ethics based on service to others, it may be

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said that the settlement, as an institution, has, to a certain extent, superseded (or done the work of) the church. By divesting service to others of religious dogma, it has succeeded in drawing into altruistic work those who, by nature or training, were not likely to be reached by the church of to-day.

When we try to express how the aim of service to others is to be carried out in the settlement we touch the crux of the whole matter. Toynbee Hall was founded, said Barnett, to carry a message to the poor expressed in the life of brother men. That is, if new ideals, or new principles of ethics, were to be implanted in those who had wrong ideals, or none at all, they must be enacted in the lives of those who come to live in the settlement. Edward Denison said as early as 1867: "Those who would teach must live among those who are to be taught,"—which, after all, was the rule of Loyola for the Jesuits, and it is undeniably true. It may be said, in passing, it is the reason why the economic education of the Mississippi Valley cannot be carried on from New England or the Atlantic seaboard. In short, the distinctive advance on the methods of some churches consisted in the practical means of bringing into contact at

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the social settlement different classes of society who possessed different social and ethical standards, but who were at present so disassociated in work, residence, and education that they were growing apart. This separation of interests, although due to increasing population, enlarged production, the growth of our cities, accumulation of wealth, and other such forces, was nevertheless the cause of suspicion, envy, and hatred, and contained in it the possibilities of permanent class consciousness based on the unfortunate belief that the interests of the classes were divergent.

Anything which would bring about a better understanding between the rich and the poor would be of advantage to both: the rich, or the employing classes, could be brought to see the point of view of the poor, or the working class, and thus be enabled to know why they did what to them seemed foolish, or inexplicable things; and the poor could be made to see that the rich were not always revelling in operas, balls, and tables of Levi, but that many of them were human beings, who also wished to help others wherever a sane and practicable method were shown to them; and that altruism had also inspired the fortunate to work for the help of the unfortunate.

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### III

The aims and methods of social settlements are both easy and difficult to state; and the reason for this delphic statement is not far to seek. The poverty and the misery of many, the existence of wrongs in industrial and municipal life, the hostile strife between laborers and employers, and the existence of vicious practices due to a low moral sense, have set remedial forces into action. The settlement represents a part of the crusade for industrial, civic, and moral improvement; while the movement also involves the very essentials of the whole problem of abolishing poverty. It is easy, therefore, to say truly that the settlement aims to advance every agency which will work for righteousness. On the other hand, the aims must be more definite than this, and in addition, definite methods ought to be worked out to accomplish the practical ends; still, it is difficult to express with great exactitude the precise policy of the settlement, and, *a fortiori*, the precise methods to be followed out. In fact, almost all the leaders in settlement work agree in stating that they have no definite policy, and they also mention the diversity of problems in different

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neighborhoods, and the necessity of first learning the peculiarities of their constituency before fixing on any definite policy. Yet, while the particular work of each settlement may differ from that of another, there are certain general aims common to all, which may be regarded as characteristic of what is now sometimes called a "movement."

The whole big problem attacked is that of making the world better. How the church has proposed to do this we all know; and we know the measure of its success. The settlement, however, has a fairly definite and local programme. It hunts out the spots in our cities where there is the least knowledge, the worst conditions, and the greatest lack of ameliorating forces, in order to introduce the practical means of raising the material and moral standard of those living there. And yet it must act under the guidance of some general principles. Its purpose is wide—almost despairingly wide. On its economic side, it must face practically the whole problem we discussed in "The Abolition of Poverty."<sup>1</sup> But it includes more than this: it aims to cover also the elevation of the moral and civic standards of its constituency. This is the reason why the residents are

<sup>1</sup> Chapter III.

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sometimes surprised to find that the paving of an alley is tied up with the civil service reform of the city; or that the control of the "white slave" traffic in their own bailiwick is also a matter of national concern. They are really concerned with principles and problems of general import, involving many fields of inquiry, political, economic, and moral. To improve the race is a staggering task, but idealists do not shrink from any task. One, therefore, watches and inquires for their policy in this great undertaking with a fascinated interest like that with which one might in person follow an army as it goes into action.

What is the strategy, and what is the tactics of this settlement army? What is the plan of operations, and how is the plan to be carried out? The purpose is to overcome evil and to advance schemes for the progress of society in industrial, civic, and moral ways. Here we are met with a difficulty at the start,—one which results from the fact that the settlement army is a citizen or volunteer force: there is no organized strategy. Here and there are some conspicuously fit officers, and here and there are some obviously unfit ones. From the fit ones, we get the best idea of the plan so far as it has been evolved.

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At the start, they will tell you, they think the strategy can be worked out only by experience in the field; that they have very little use for economic West Points; that science has very little help to give. This view seems to apply not only to the discovery of the ultimate purpose, but to the practical methods to be followed. Such an attitude is much the same—to change the illustration—as if medical progress should be expected to come more effectually from physicians engaged in actual practice than from the scientific laboratories of Pasteur or Erlich. In fact, the discovery of a principle may—and has—changed the whole character of therapeutics. If the cause of a disease were discovered in a new microbe, then the methods of prevention of that disease would be radically changed from the former treatment.

We may speak similarly of the great central economic problems which confront the resident of a settlement. Of these the chief one is to find the principle to be followed if we should hope to raise the material comfort of the poorest paid wage-receivers. Poverty, like disease, is what we hope to remove. Is this end to be reached only by the work of residents in the practical experi-



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ence of settlement life, or by the study of trained economic investigators—or by both allied? It is obvious, of course, that settlements are not the only places in which students of economics may come into intimate relationship with the conditions of the very poor. Many persons who have never seen a settlement may yet be thoroughly informed of, and closely in sympathy with, the struggle of the lowly for a better existence. Of course, it is actual experience, no matter whether it is within or without a settlement, which is to be regarded as the necessary condition of a correct prescription for the economic ills of society. But, even on this wider ground, may it not be asked whether experience is the sole requisite for a true insight into the problem of correcting these ills?

Immediately, we are obliged to inquire as to the qualities of mind and heart which are needed in such a search. In making an economic analysis of stated facts, and in rightly arriving at causes, it is patent that a thorough economic training is of the first importance. No one in his senses would think of allowing an untrained layman to determine whether the high temperature of a sick patient were due to typhoid fever or to appendicitis. And when the settlement resident is re-

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quired to pass judgment upon, or to take a personal share in, an economic dispute, it is quite possible that an error may be committed, unless the person is competent to think accurately in the subject and to grasp all the elements of the problem. To follow the immediate promptings of the heart may result in more ill than good—and only too late bring the conviction that after long years of service no real progress has been made in solving the difficulty. Mitigating present suffering—or social nursing—is essential to any bad situation; but it is a larger and better task to work out the preventive principle lying behind the facts of suffering. And yet, how can the investigator possibly make any penetrating study of causes at work in a bad economic situation unless he can get into close touch with all the facts? There are economists who spin their theories in the closet, and whose symmetrical, metaphysical systems satisfy all the demands of an analytical mind, except to explain the actual facts of life. On the other hand, there are those who know only facts, and who have no power to classify or organize them, or to discover causes at work. The truth can never be reached by either class of these extremists. The principles needed to guide us in

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the complexities of daily life can be obtained only by those competent to discover causes and who are also in a position to get all the results of experience. To stake all on experience is, therefore, to ignore half of the process. This is the old dispute as to the possibility of arriving at economic truth solely by induction,—a method which no longer receives much support.

Social settlements are, of course, not laboratories where the hypotheses of cold-blooded theorists are to be tried out experimentally at the expense of human victims; far from it. But they should be places where principles of economics, carefully ascertained by sound method, should be relied on and applied in actual conditions as they arise. That is, the settlement needs the results of economics as much as medicine needs the results of the scientific laboratories. It is wrong to put the case as in the following words: "The settlement stands for application as opposed to research; for emotion as opposed to abstraction; for universal interest as opposed to specialization." There can be no safe basis for application and emotion without previous research and study of causes. It was Arnold Toynbee himself who said "that thought and knowledge must now in phi-

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lanthropy take the place of feeling"; and also that "if we cannot live by bread alone neither can we subsist solely on nectar and ambrosia."<sup>1</sup>

### IV

What, then, as to the qualifications of the usual settlement resident for such serious work as determining on the objective to be followed? Let me disclaim the slightest intention of depreciating or of even speaking in a possibly patronizing way of zeal. It is a necessary part of an altruistic service, and it deserves our respectful admiration. But zeal alone is, as every one knows, not enough for this social duty. Beyond it and the possession of tact, sympathy and moral earnestness, the settlement guide should be entirely competent to act as teacher and judge in the complicated economic questions which underlie the problem of improving the condition of the very poor; or, if untrained, such person should have the discretion to avoid becoming a partisan and assuming the whole matter in question as settled by those only who happen to be nearest and most emphatic as to facts alone. Not infrequently the ranks of settle-

<sup>1</sup> F. C. Montague, "Johns Hopkins Univ. Studies," vii, pp. 26, 28.

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ment residents are filled with women who go to the settlement, as women in the middle ages went to the cloister. Besides willingness, there is often little to recommend them as fitted for the important tasks before them, and for which a rigorous professional training should be exacted. Indeed, the practical question has already been raised, at least in one university, of forming a special course of study designed to prepare persons of ability, having an altruistic ambition, for a career in practical philanthropy. Certainly, the day of untrained persons in social nursing ought to have gone by as entirely as it has in medical nursing.

All that has been said may have been regarded as applying only to subordinate helpers, and not to those in authority; but it should also apply more strongly to those in a position to determine the general policy of a settlement. As we look over the field, do we conclude that the directors of the settlements are those who have first shown their pre-eminence by ability, training, and approved capacity to settle serious economic problems? Nor does one mean by this to exact agreement with any obsolete economics, or any preconceived point of view, but the ability to think in the subject rationally and to have intellectual

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grasp on serious economic topics. Is it right, or even expedient, to give the entire direction of the policy of a settlement to a person, no matter how good and amiable, who has had no thorough training in economic and civic studies—to say nothing of hygiene and law? The head of a settlement often is, but should not be, a preacher of special tenets. To an individual that may be allowed, but not to a director of an institution representing the joint activities of those coming from poor and rich alike. A preacher of duty, of service to others, every worker must be. But personal vanity and cock-sureness should be sunk in public duty; and policies should be determined upon only after careful discussion by judicial persons who are interested in narrowing, rather than in widening, the gap between social classes. One of the reasons for the lessening influence of the church is the poor quality of some of the clergy; and if the workers in the settlements show lack of training and ability, their institutions also will surely lose prestige.

### V

Keeping in mind the desire of the settlement to bring about a higher level of satisfactions for the workingmen, at least one industrial objective is

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to assist in securing "a living wage." What has the method based on experience brought forward to accomplish this end? Of course, the same policies are not followed in all settlements, since the individual views of the person who dominates the institution are usually reflected in the special forms of activity; but the attitude toward wages and the unions is more or less the same in many settlements. Perhaps the common form of interest is in the struggle of the poor to better their material condition. Obviously this is to be accomplished through higher wages. Then, what methods have the most intelligent leaders in the settlement movement suggested for this purpose? Although no two persons would state the method alike, yet there is a prevailing attitude characteristic of the current thinking in and about settlements—and that is the recourse to legislation. Just as the labor element try to force an eight-hour day by legislation, so throughout the settlements one hears often the wish to establish a minimum wage by legislation. Recourse to law to change industrial conditions is evidently popular. Apropos of the anthracite strike, if peace had been maintained, it was suggested that public sympathy would have urged legislation on the minimum

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wage, after the manner of New Zealand. Here we have an example of the results following from the methods arrived at by experience.

It is precisely in such a case that the method by experience needs correction by science and a wider knowledge of principle. Time and again economics has shown that legislation is futile, if not in accordance with the economic laws of the market. Nor does one have to go far afield to discover that, if wages have fallen below a living rate, it is not merely a question of demand; it is also a question of supply. If the supply of unskilled labor is so abundant at a particular point of competition in a city district that pitiable conditions result, it is no remedy to legislate as to what wages ought to be. Laws fixing the prices of goods or of labor are now regarded as the evidence of a mediæval mind. If wages are too low, they can be raised either (1) by reducing the supply of competitors, or (2) by increasing the demand for labor. By reducing supply is not meant massacre, but the transfer to other points where supply is short, or the elevation of the worker by increasing his industrial productivity. To fix a legal minimum wage is merely to transfer to the user of labor the responsibility for the excess of



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supply of labor over which he has no control. We all wish that the laboring man should have increased consumption, and no one is cold-blooded and unsympathetic who insists that this increased consumption cannot be obtained by legislation, but by conformance to laws which permanently regulate the price of labor. As explained elsewhere,<sup>1</sup> increased consumption is a function of increased productivity, or an increased demand relatively to supply of that particular kind of labor. This view is not the outcome of an individualistic philosophy any more than the law of gravity is individualistic. But it is a definite correction which science can make to any induction from experience alone which seems to rely on legislation as a means of securing results.

There is, however, an allied matter on which the settlements are clearly in the right, and in which they are likely to be of great service. One way of influencing the productivity of laborers is through a modification of their standard of living. It is not a hopeless or unsympathetic mind which believes that improvement is within the control of the laborer himself; and that permanent progress is most likely to come in this way rather than by

<sup>1</sup> Chapter III, p.

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external influences such as legislation. And yet the dual nature of the problem is such that environment as well as internal change is effective. The rise of the standard, to be sure, is largely a matter of character and morals. Although its results are economic, the forces affecting the change of standard are mainly un-economic. Here, then, we have a field for the fullest activity of the settlement; and one of the expressed aims of the settlement has been to raise the standard of living. In a very important way, so far as the standard can be touched by environment, legislation is a powerful help; and all ethical and idealistic impulses, emotion and stimulus to the heart, have here an undisputed place. It is possible that the matter of changing the standard is the chief and most useful function of the social settlement. Indeed, it gives the key to such a plan as that of Toynbee Hall.

No doubt many who have passed out of the sordid byways of Whitechapel into the artistic and cultured atmosphere of Toynbee Hall have tried to formulate the principle by which the residents influenced the life of the neighborhood. Would not the injection of men living a life of culture and comfort into a region of poverty and misery only aggravate differences? Toynbee himself hoped

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to dedicate his life to the "social expression of culture." Obviously, the existence of these cultivated Oxford men in Whitechapel does not directly raise the wages, or increase the consumption, of the poor. But their very presence there, without patronizing, unmistakably sets before those who have not had it a sample of democratic helpfulness and fulness of life which must help in the formation of a higher standard of living. The man who comes from a damp basement tenement to the warm parlors and cheerful club-rooms of Toynbee Hall will get a stimulus toward trying to improve his own lot. More than that, he will get a helping hand and intelligent assistance. If the spirit of improvement is introduced, the practical means of carrying it out is sure to be found in one way or another. Therefore, to the extent that the settlement is creating a new spirit of progress and improvement it has an unquestioned future. Given the purpose which is to be put into action, the really difficult question is as to how the purpose may be carried out. If the concrete methods be asked for, according to which the poor are to get higher material rewards, then the aid of economic training is essential. The principles by which men progress up the scale of wages

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and comfort cannot be settled by emotion as opposed to research.

It is, moreover, the function of the settlement residents to put principles to concrete tests. They, more than most others, are placed where they must have practical results. Examples of effective work by the settlement are found in the enforcement of sanitary and smoke ordinances, in meat inspection, in laws to secure proper fire escapes in factories, and to obtain protection to workmen from dangerous machinery. Metaphysical abstractions are useless; principles must be translated into rules of action for every-day life. The mechanic in the shop comes to know whether a tool does its work well or not; yet he may not know the principles of the science of thermodynamics or electricity by which his tool was constructed. So, very often a settlement worker may accomplish good results under good principles, without knowing much as to the constructive processes by which the principles were arrived at. Although some mechanics are inventors, few could have devised the machine they work with; and, likewise, while some residents may have capacity and training to work out a constructive policy, the most of them must accept

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the rôle of following the rules laid down by their leaders. In the main, to bring into contact elements which are of mutual benefit, and to mediate between alienated classes, so that common bonds of interest and feeling are established, are important things for the content of any community. The aim is right, even if errors are made in carrying it out.

Even though the settlement wishes to bring about larger material rewards for the poor, and even though it aims especially at raising the standard of living, it consciously plans to do more. Civic and moral ends are always in its programme. As a result of seeing much of those who are least happy and comfortable, the resident gets no exalted idea of the existing industrial organization. Consequently, a reaction in favor of a better industrial system is likely. The present form of society, tried under conditions due to the imperfection of mankind, is almost certain to be contrasted with another form of society conceived under ideal conditions such as would follow a perfected human nature. Hence, there is in the settlement a not infrequent sympathy with socialism. If settlement residents are not avowed socialists, yet avowed socialists always find a congenial atmosphere in the settlement.

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Most of our settlements are placed where they must deal with masses of newly arrived immigrants. Indeed, the questions centring about immigration, their care on arrival, the protection of women, the duty of giving them intelligent civic instruction, and the like, are constantly emphasized by those in direction of settlements. Perhaps one of the most praiseworthy qualities in a settlement worker is that of sympathy, and the ability to show a stranger that his point of view is understood. In thus opening the mind to what is passing in the foreigner's thoughts and feelings the settlement worker comes into close contact with all the forms of antagonism to government of the autocratic kind now existing in the countries of the immigrants' nativity. Obviously the most pronounced type of that antagonism—especially when it cannot be continued against our free institutions as it was against European absolutism—takes the form of socialism. The newcomers, fresh from the activity of foreign agitation, are full of socialistic doctrines especially of the metaphysical sort. The settlement resident may listen sympathetically to the eloquent analysis of the wrongs of capitalism, hear difficult economic propositions glibly discussed and disposed of,

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hospitably encourage full and free discussion, and give rooms for the meeting of any and all kinds of thinking, whether socialistic or anarchistic. There can be no real dissent from the wisdom of this method; for free discussion is doubtless the best preventive of radical error. But how as to the original purpose to bring about a better understanding between different classes of society? Is this to be accomplished by hearing and sympathizing with only one class in society? Does free discussion mean the presentation of only one side of a difficult question? When the radical socialists newly arrived are warmly welcomed in the rooms of the settlements, do they hear anything of the errors of Marx or of the impossibilities of socialism? If the settlement allows itself to think only in terms of one class, and in antagonism not only to another class but to all organized society, as established by the long experience of the race, then it is certainly not creating but preventing a better understanding between different parts of society. Such a situation, of course, is not to be found in all settlements. Whatever this tendency to socialism may have been in the past, it is quite evident it is very much less active in settlements at the present time.

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### VI

Since raising the standards of living is a slow process, it would be natural to expect that attention should be directed to improving the quality of neighborhood life. Perhaps this is what the resident has in mind in speaking of wishing to give to the hard worker more life. In trying to ascertain the purpose of social settlements, we find the following interesting statement from Jane Addams:<sup>1</sup>

"The residents are actuated, not by a vague desire to do good which may distinguish the philanthropist, nor by that thirst for data and analysis of the situation which so often distinguishes the 'sociologist,' but by the more intimate and human desire that the working man, quite aside from the question of the unemployed or the minimum wage, shall have secured to him powers of life and enjoyment, after he has painstakingly earned his subsistence; that he shall have an opportunity to develop those higher moral and intellectual qualities upon which depend the free aspects and values of living. Thus a settlement finds itself more and more working toward legal enactment, not only on behalf of working people, and not only in co-

<sup>1</sup> "Annals of the American Academy," May, 1899, p. 50.



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operation with them, but with every member of the community who is susceptible to the moral appeal."

In similar vein, it is declared that it is the aim of the settlement to express the meaning of "life" in forms of activity; and we also meet the idea that what men want is "life and not theories about life."

It is obvious that we should know what is meant by "life." That is, what moral ideas are conveyed by this expression? Such an object is clearly ethical; and the ethical code is briefly contained in the word righteousness. Whose conception of life, and whose idea of right and wrong are to be expressed? In actual fact, of course, it is the conception of the one individual who has the force to lead in any given situation. Grant that we wish to secure for the workmen powers of enjoyment and the opportunity to develop higher moral and intellectual qualities, by what definite steps can these things be gained? Again, it is hinted that the effective means is legislation. Certainly many things in a bad environment can be bettered by legislation; but, on the other hand, the weaknesses of heredity cannot be thus removed. In fact, the problem of abolishing wrong

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is beyond the powers of legislation, and can be fundamentally touched only by work which will change the ideals and character of specific persons. It is a moral, not a legislative process; it must work from within and not from without. The prevalence of the policy of resort to legislation as a cure for industrial evils is characteristic of the day, if it is not also characteristic of the settlement.

More than this, it is said that the group of toilers have in many respects a different ethical code from that of the well-to-do. The former are readier with their sympathy and less selfish and more generous than the latter. The cautious and reserved policy of a well-fed, well-educated charity visitor as against the quick responsiveness of the poor is, perhaps, evidence of the emphasis on foresight which partly accounts for the present difference in the relative conditions of each. The fable of the ant and grasshopper is old. But, further than this, the two groups are said to differ in their ethical attitude on primary questions. Yet, in the main, one very much doubts if the two groups, such as the employers and employees, can be separately classified on the basis of a different code of ethics. The laborer is set on gaining his end in the struggle for higher wages; so is the

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employer in holding his own for the accumulation of wealth. Both are actuated by selfish motives, and many in both classes are apt to depart from what is right. There is no monopoly of right and justice on either side. One man sins in disregarding his duty to his operatives, the other in his duty to his employer; one keeps his men for long hours in unsanitary rooms, the other will make work and throw biting acid on his enemy's horse. As soon as a workman comes up from the ranks and becomes a successful boss over others, he shows the same disposition to bully and take advantage of his laborers which he so resented when he was the under dog. The moral regeneration needed should reach both those above and those below. The moral line cannot be drawn between the employer and the employed.

Back of all the ethical differences is, undoubtedly, the feeling that the worker is not receiving his just distributive share. Hence he may regard as justifiable what to others is hitting below the belt, because in a limited knowledge of the world it seems essential to the success of his purpose. This case discloses clearly the true relations of economics to ethics, of research to emotion. It is not possible to say what is right or wrong until

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the causes and effects are known; and a scientific analysis is as necessary to a basis of ethical judgment as is the cause of death to the verdict of a coroner's jury. If light-minded persons, incapable of serious economic analysis, get a wrong, or very superficial, notion as to the causes producing a pitifully low rate of wages in certain instances, they may apply emotion, or legislative correction, in a way to cause great damage. The widest and deepest insight into economic distribution is a condition precedent of any correct moral judgment, or of a programme of social reform.

It is a matter greatly to be deplored, if philanthropic zeal be stirred up and applied in such ways that after decades of effort it is reluctantly to be admitted that no progress has been made, and that the same old conditions exist only for more people than before. Unless there is a cordial and mutually respectful relation between economic science and social reform, there is not likely to be much permanent good accomplished. Yet, even if such a relation cannot be established, the settlement will still have certain fields to work in which are certain to yield good fruit. In municipal and social reforms, such as quickening public opinion, developing neighborly kindness and sociability,

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lightening drudgery by recreation, and aiding in the work of organized charity, the settlement has a large and important work. But in industrial questions, except so far as it gives industrial and manual training—which can be carried out in a comprehensive way only by the public itself in its corporate capacity—the settlement cannot hope to do much to raise the actual level of wages and comfort. By raising the standard of living in spots, to be sure, some indirect influence may be exercised on the rate of wages. It is in its power, however, to do a higher thing: it can continue its efforts to touch the conscience of the community and to create among the lowly a sense of the brotherhood of all men. Much may be done to establish democratic relations between all our classes; but industrial democracy can come about only when there is a generally diffused knowledge of the true principles affecting the incomes of society, so that a comprehending public will accept what is justified by intelligence, and so that some will not war against others on the basis of prejudice and ignorance.

## CHAPTER V

### POLITICAL ECONOMY AND CHRISTIANITY

#### I

SCIENTIFIC results can be tested in no way so thoroughly as by an attempt to harmonize them with the truth gained in other fields. There can be no dissonance between different portions of truth; therefore, when the economist touches the instrument of truth, the sounds which he evokes—if he be a true performer—ought to blend together harmoniously. If his notes produce discords, the fault is with him; not with the instrument. If the fundamental principles of Political Economy are not in harmony with Christian truth, it is more than likely that the economist is wrong.

Our distinguished botanist, the late Asa Gray, once said that it would be a good thing sometimes to have a sermon addressed from the pews to the pulpit. If such a sermon would give the ministry a better understanding of economic principles it would be a protection against much illogical and

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emotional talk on economics from the pulpit. But, on the other hand, it is quite as important that economists should consider the relations of their teaching to Christianity. By taking their nuggets to the assay they may learn how much they have discovered.

This, however, need not require us to sympathize with the crude, sentimental writing which chatters about the inhuman, cruel, and soulless character of Political Economy. If this study explains the conditions under which men supply their economic wants in this world, then it is no more, no less, cruel than other studies, like physics and chemistry, which explain other relations in which we stand to the material world around us. To know these conditions does not relieve us from moral responsibility as to our actions. It is not a cruel thing, for instance, to explain that the velocity of falling bodies under the law of gravitation will cause the death of a child that falls from a fifth-story window; but it would be inhuman to coax a child to do it, or to let it fall without trying to prevent its unconscious action. So, likewise, it is not an inhuman thing to explain that an overcrowding of numbers will result in want and misery. The inhumanity exists in the act which

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causes want and misery. If Political Economy points out the connections between cause and effect in our economic conditions, so that the community is thereby enabled to know how to prevent want and misery, it becomes the forerunner of practical ethics. By laying bare the causes of things, it enables all the powers of good to be intelligently applied to prevention and cure.

Another illustration of the function of the economist may not be amiss. We know that it is the chemist who studies the nature of a drug and its action on the human body, but that it is the physician who, after considering such facts as the patient's constitution and habits of life, decides when it is right or wrong to use this drug in particular cases. The economist studies the nature of economic phenomena, their causes and effects; but he does not—as an economist—necessarily address himself to prevent their effects or to remedy evils. This is the work of the moral teacher. It is true that economists may also be moral teachers, as were Adam Smith and John Stuart Mill; and so a chemist may also be a physician; but the two are not always synonymous. A man who sets himself up as a moral adviser on social and economic questions must be pretty well



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established in his economic beliefs to have an easy conscience; if he is not, he assumes the criminal attitude of the ignorant druggist who compounds for an unsuspecting patient a deadly poison, instead of a relieving draught. Many of our anarchists are like these ignorant druggists.

We thus see that the responsibility of the student of economic and social conditions is a heavy one. But after all it is only a part of the general responsibility which every honest-minded man must feel as regards his relations to the whole world around him. The morality of Christian teaching, on the other hand, must find its harmony in economic results, or the Christian teacher cannot accept the laws which economists lay down. A responsibility thus also lies on Christians to be sure that economic teaching is consonant with the principles of Christianity. And it is on this point that, as a layman, I should like to address a short sermon to the pulpit.

## II

One of the essential ideas of Jesus's life and teaching was self-sacrifice. Not self-sacrifice from the pure love of repression, which often characterized our Puritan fathers, but the renunciation

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of self for a higher, nobler gain. In fact, the culmination of His life in a painful death was a sublime act of self-sacrifice, by which the attention of the world and of succeeding ages was called to the higher life to which He invited them. It taught us that character was to be sought by self-control; by doing that which was right against our natural inclinations; by loving the good that was in others even if they had wronged us; by purifying the human and earthly parts of us until they were more or less altered after a God-like spirit; by learning the superior value of the unseen, spiritual good over the seen and present enjoyment. In short, the power of Christianity as it moved over the earth, helping on civilization, set in the mind of the artisan at his work, the sailor in his ship, the scholar in his study, the orator at the forum, the secret of success and of progress by teaching the superior value of the unseen over the seen; by teaching the mind to picture the future which is seen only in ideals and visions, and then to sacrifice present enjoyments for the sake of realizing those future ideals and visions. Christianity set the spiritual over against the material, the unseen over against the temporary and seen; and its teachings pointed to self-mastery as the

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means by which the future gain was to be realized. Charity, kindliness, good-will, unselfishness were to be followed in spite of the fact that the flesh holds back and seems a stranger to the higher motive.

When Christianity sets before us this hope of a desirable future, and draws a picture of the higher life, which so impresses the imagination that the power of the material present loses its influence over us, it is then laying the broad foundation for economic prosperity and success for every toiler on this earth. In fact, we find, here, that in our efforts to satisfy material wants, the fundamental economic principles are but statements of the form in which Christian ideas take shape; these principles, in other words, are but the ducts into which are drawn off parts of Universal Truth, and this truth comes out again, reappearing in our economic statements. In days past we have sometimes heard contemptuous criticisms on the "dismal science" of political economy; so that what we have just said seems perhaps to be an audacious claim; but the reader is asked to examine briefly the fundamental laws of economic production.

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### III

The first of these is the law of the increase of capital. Capital is the result of saving. Now think for a moment what saving means. In Mr. Mill's treatise he points out most justly that "all accumulation involves the sacrifice of a present for the sake of a future good." In short, economists generally speak of foregoing present consumption, or waiting, as a necessary condition to production—which it unquestionably is. Capital, says the economist, increases not merely because of the amount of interest to be got from savings, but, other things being equal, because of the "effective desire of accumulation"; and this desire to accumulate, as we see, depends entirely on the power so far to grasp hold of the future ideal that a present enjoyment will be given up in order to realize it. The ability to weigh the future against the present is only a paraphrase of foresight, of prudence, or saving. Of the less civilized races of man—and it is no less true of the lowest strata of even civilized countries—Mr. Mill says: "Man may be said to be necessarily improvident, and regardless of futurity, because, in this state, the future presents nothing which can be with certainty either foreseen or

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governed. Besides a want of the motives exciting to provide for the needs of futurity, . . . there is a want of the habits of perception and action, leading to a constant connection in the mind of those distant points, and of the series of events serving to unite them." These principles are illustrated by the familiar cases of the St. Lawrence Indians and the Indians of Paraguay. They were willing to work assiduously; but their minds were so weak in imagination that they did not see a future end distinctly enough to plant only the little crop of potatoes and maize, which mature at a short interval of time after the planting. For the same reason the Paraguay Indians cut up their ploughing-oxen for supper at the end of a day's labor. From this analysis of motives, economists teach that if the ability to sacrifice present enjoyments for a future gain is absent, little capital will be saved even from a large margin; if, on the other hand, it is present and to a high degree, much capital will be saved even from a very small margin.

Consider for a moment how this applies to the workman, who owns nothing, lives in a hired house, and is only a receiver of wages. What are the mental processes through which he must go, in order to save? On the one side are the seduc-

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tions which urge him to spend the whole of his wages as fast as they are earned; his pride leads him to clothe his family for show rather than for comfort; he is fond of his tobacco, if of nothing worse; he indulges in favorite articles of food and takes certain amusements. On the other side stands the estimate he places on a home of his own; on the little piece of ground which he can till and improve at odd times; on the possession of a cow, and the additional income it may give; and on the higher standing among his neighbors which some accumulation will bring him. Will he care enough for these future and distant gains to sacrifice his present enjoyments? Often, however, he has no training of mind which will enable him to connect distant events with present action. If this be so, how far are the friends of workmen strengthening his power over the future; are we doing all we can to present a vivid picture of the fruits and gains of present sacrifice? And here, it seems to me that Christianity is the necessary buttress and foundation for saving. Has the man the real grasp on the Christian idea of self-sacrifice for a higher aim, of estimating the unseen against the seen, his mind will find it easy to accomplish material saving. It may be said that this is a

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gross aim, and far from the spiritual idea of the unseen; that to save for a material recompense is not the highest form of self-renunciation, not equal to that renunciation which expects no return. And this is true; but it is only the exercise of the general principle in one of the details of daily existence; and if material riches replace want with comfort, misery with happiness, that is not merely a material gain.

The second law of economic production to be considered is the law of population; and this cannot be stated independently of the law of production from land. So that this examination really covers the three fundamental laws of production: the laws of capital, of labor, and of land. The power of human beings to multiply is such that mankind can increase faster than can the produce of land. If no restraint hinder it, a population can double itself in a certain period, and that doubled number can again double itself in another similar period; while, on the other hand, after a certain point has been reached, if capital and labor applied to an acre of land produce 30 bushels of wheat, a second application of the same amount of capital and labor will not produce an additional 30 bushels on the same acre, or 60 bushels in all. A given

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piece of land cannot increase its product proportionally to the increased outlay of labor and capital; else why cannot all the food of the American people be drawn from one county, or even from one farm? The physiological power of man taken in connection with the physical qualities of the soil furnishes the solid basis of this economic law. This relation between numbers and food has been pointed out by economists; and it is this principle which, in the language of opponents, once gave the opprobrious title of the "dismal science" to political economy. This charge of dismalness has arisen from the statements by economists as to the manner in which the power of increase has been actually made to conform to the production of subsistence. They pointed out that a thoughtless increase of numbers out of proportion to the increase of subsistence among people of a low order of civilization was followed by death resulting from war, famine, or pestilence; but that, as men had advanced in civilization and intelligence, an imprudent increase of numbers was prevented by a lessening number of births. In such ways have numbers in fact been kept down to the actual production of subsistence. This is the contribution to political economy



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which we owe to a clergyman, the Rev. Thomas R. Malthus.

That to a clergyman this economic principle may have been another form of Christian teaching does not seem at all unnatural. In fact, it is but another expression of the worth of the future as compared with the present; and that it should have been the object of attack, and designated as "un-christian" and "hopeless," is one of the many curious facts of history. When men were able so to control human desires that they might better provide comfort and happiness for their families in the future, they were displaying the ideas of foresight and prudence, which, as I have tried to show, are so fundamentally connected with essential Christian teaching. The power to bring the future so strongly before the mind that the present action is guarded and controlled by it has gone hand in hand with Christian civilization. In regard to the expenditure of capital for distant returns, as in docks, bridges, railways, and machinery, we have seen this control exercised more frequently, and to a greater and greater extent as this civilization has gone on; and that it should have shown itself also in other forms of human activity is to have been expected. That its ab-

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sence would have required explanation, should be less surprising than that its existence should have caused bitter attack. As men grew in civilization they gained in the power to estimate the future as compared with the present; and numbers were limited by foresight to correspond more nearly with the standard of living of different classes. This was but the application to population of the power of the Christian teaching of a regard for the future over the present. It is the basis of advice which an economist might give to the workman with a very small income who aims to improve his position.

The law of population to which I have just referred is often thought of as harsh and inhuman. The law is, however, nothing but colorless scientific truth. In stating cause and effect nothing whatever is implied about humanity or inhumanity. When economists say that unrestricted increase of numbers among the very poor brings misery and want, they are only stating the relation of cause and effect. The question of ethics comes in when, knowing this principle, men disregard it, and throw themselves under the tyranny of a despotic law. We are still responsible, not only for our own actions, but for our attitude to those around us.

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I have said that as men grew in civilization the inevitable results of over-population have been avoided by prudence and foresight. This general principle, however, has a more detailed application. In society there are higher and lower classes as regards prudence. At the bottom of the industrial strata lies the largest class, composed, roughly speaking, of unskilled persons, with no capital, little education, narrow ideas, and narrower ambition. This class, everywhere among us to-day, is relatively to the more prudent, the "uncivilized"; they have little power to sacrifice the present impulse for a future advance. They are the class to which the law of population gives an important aid to improvement; it is simple common sense to say that three children can be better provided for than seven. Relatively to the demand for work which they can do, this class is enormously larger than any other class; and yet it is exactly in this class that numbers are increased without much thought of the coming want and misery. The amount of subsistence offered for work which the unskilled and ignorant can do is vastly out of proportion to their great numbers. While in classes of skilled persons numbers are fewer relatively to the demand for them, wages are

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higher, and they are more prudent. So that foresight is least observed in the classes where it is most needed, and is most observed in classes where it is least needed. Political economy does not teach a restriction of the numbers of the best, but of the poorest persons; not of the highest, but of the lowest, type. The limitation of numbers to a standard of living, therefore, is to be applied not merely in a general, but in a detailed, way to different classes of society. To the poorest and most hopeless this economic principle carries the Christian teaching of the wisdom of setting an estimate of the future above the estimate of the present.

### IV

So far we have been examining the laws of Production and their harmony with fundamental Christian truths. We may now turn to the questions of Distribution, which include the subjects of wages, interest, and rent, and bring us to the burning social struggles of the present time.

In the assignment of a payment to the owner of natural resources, or land, there is little of an ethical character—except in the institution of property itself. That is, so long as society be-

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believes that more good than evil comes from granting ownership in certain gifts of nature the price for the use of such gifts depends upon bargains voluntarily entered into between the owners and those who wish to use them. If these gifts are, as in most cases, limited in supply, the price is a question of monopoly value. If the demand for wheat and wheat land increases, the price of wheat and the rent of wheat land will rise—provided there is no opening up of new lands, or no improvements in the methods of treating the soil which will have the effect of increasing the supply. Therefore, in paying rent for resources limited in supply—due either to quality or location—there is no more play for ethical analysis than in arriving at the price of any other commodity in the open market. Of course, rent would not be paid, if monopoly conditions, either natural or artificial, ceased to exist; and ethical considerations may thus arise in regard to the conditions under which monopoly appears. For instance, some may hold it to be wrong to allow any private ownership of land; and communal tenures may be supposed to be more Christian. Whatever may be the views of a few, the fact remains that for about thirteen centuries our race has continuously incorporated in its customs and

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law the belief that private ownership of nature's gift makes, under certain restrictions, for the greatest good of all. So far as the moral qualities of energy, effort, industry, and a grasp of the future arise from holding possession of the soil, so far the institution has a moral justification. And only so long as the gains from private ownership exceed the losses can the right to private property find its defense on moral grounds.

### V

In passing to the payment of interest for the use of capital, we again strike moral considerations. After all has been said and done, it must be admitted that the accumulation of capital is the outcome of the strongest moral forces of society. This has already been emphasized. Without the moral grip on the future by which present action has been controlled, we should never have acquired the present marvelous mechanical equipment of industry on which the existing welfare of masses of men, high and low, are directly dependent. Any attempt to undermine the incentives to the accumulations of capital, or to make impossible just payments for the use of it after it has been accumulated, aims directly at the moral founda-

## POLITICAL ECONOMY AND CHRISTIANITY

tions on which much that is best of existing institutions rests. Envy, or ignorance, in these days, appears to think that baiting capital is an act of virtue. Although it may be popular, it is exceedingly stupid, and shows a lack of the historical sense. Moreover, it is quite aside from the point.

Capital in itself, and the payment of interest for its use, are as necessary to society's comfort and progress as are air and sunshine to plant life; and yet there is more or less revolutionary muttering about capitalism. There is, however, a very grave difference between capital and capitalism. Here is to be found the core of the whole matter. Capitalism is obviously the relation of human beings to capital. Capital in itself is what every one desires; the only difficulty appears to be that there is not enough of it. But the attitude of owners of capital to those who do not possess it seems to be the cause of the irritation. It is not capital, but what man does with capital, that makes the real moral issue. To inveigh against capital itself is like finding fault with the superior steamship which carries passengers quickly and safely. Then what is meant by the wrongs of capitalism? Reduced to its lowest terms, it seems to be the wrongs due to imperfect human nature in the use

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and management of capital. Obviously, the so-called evils of capitalism cannot be removed by taking away the incentives to saving, nor by subtracting from the returns to foresight and prudence by special legislation and taxation against capital. The evils now in the public eye can be removed only by removing the imperfections of human nature, or by making men good. Thus economic analysis finds itself in complete harmony with Christianity, which offers the means of making better the persons by which capital is to be employed. There is not only no conflict but a clear agreement between the economist and the Christian worker—so far as concerns the relation of men to capital. It is nothing against a man that he is saving and efficient and accumulates capital; it is rather against a man that he is thriftless and inefficient and has no capital. It is nothing against a man that he is a capitalist; but it is against him if he is a dishonorable man—capitalist or non-capitalist—whether he reaps where he has not sown, or whether he robs and steals. The indictment runs against the morality of the man, not against the tools or capital he uses. We do not convict the knife, but the assassin, when we try to exact justice against a murderer. And yet in the



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confused and crude thinking of the day about capitalism, there is an implication that the system is wrong which permits private ownership of capital and that all capital should be placed under the control of the state. When we realize that saving of capital is the outcome of a personal process—or at least of non-consumption by individuals—we might as well say that the state should own all the pictures painted by artists, or all the music ever composed. The state did not create capital; and it could not own capital except by exploiting it unjustly from individuals who brought it into existence.

Possibly the literal injunction that interest is usury and unchristian may trouble the pious. We have fully shown how saving is in essential harmony with Christian teaching; if so, interest is no more unscriptural than buying and selling any useful thing. The borrower of an ass would be unchristian if he did not pay its hire; and he who hides his talent in a napkin and puts it not to use where it would earn something is condemned by the scriptures. An ass, a horse, or wealth in the form of money, are common instruments by which capital is invested, and for which interest is paid.

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### VI

In the field of distribution, it is in the burning question of wages and human effort that we find the most obvious problems of ethics; and here the relation of Christianity to economic teaching is one much discussed. The pulpit frequently speaks of the wrong implied in the possession of large accumulations of capital which loom big alongside the poverty of the many. The implication of wrong here depends entirely on the assumption that capital is accumulated at the expense of others. If it is possible, however, to gather large sums honestly, by abstinence, reinvestment, and good business management, then no one else is wronged; in fact others are thereby aided in getting employment. On the other hand, if men grow rich by despoiling others, then the wrong is in the man, and he should be brought to book, just as a burglar or common thief should be. One might as well say that great elms are wrong when seen alongside of little newly planted saplings, as to say that large accumulations of capital are in themselves wrong while men are still poor. A great elm is no reason why a sapling should not itself in time grow great. The chief wrong is that the many

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have not yet caught the spirit and ability to save and invest safely. So long as the drink and tobacco bill is counted in untold millions, there is still room for the poor to accumulate capital and enjoy its rewards *pro tanto*.

The payment for the use of capital in production is Interest; the payment for the exertion of labor, is Wages. The word "profits" is a misleading term, and for this reason: the "profit" of a capitalist is commonly used as if it were due to the ownership of capital; but in what is called "profit" there is included by practical business men not merely the interest paid for the use of the capital invested, but an additional sum, which includes what is distinctly in the nature of wages for services as a manager as well as some differential gains. After getting a dividend on his capital, every manager also expects to be paid for his services—just as every moulder or carpenter is paid for his services. These two payments are of wholly different kinds, and are governed by different principles. In short, the manager of a business, whether he owns capital or not, is unmistakably a laborer; and the reward for his exertion is governed by the same principles which govern the share of the different kinds of labor. Interest is the payment for the

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ownership of capital; and although interest and wages may be paid to the same man, they are not, for that reason, any the less separate and distinct in their nature. When we hear people talk, then, about a "conflict between labor and capital," it ought to appear in the struggle for the relative shares which labor and capital receive out of the product. But, as we have said, the share of labor is wages, and the share of capital is interest. If there is a conflict between labor and capital, it ought to show itself in the relative amounts assigned to wages and interest. We shall find, however, that the outcome of the processes by which these distributive shares are determined does not show that the laborer is losing in the struggle.

In every industrial operation—as now carried on—we know that a supply of capital as well as a supply of labor is necessary. They are as necessary to each other as the two blades of a scissors. Hence, of two things both essential, if one becomes abundant relatively to the other, that one can exact but a smaller return for its use, and the one which is relatively scarce will exact a larger return. In brief, the relative shares of labor and capital will, other things being equal, depend upon the

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relative scarcity and abundance of labor and capital. If, for example, immigration should add greatly to the number of workingmen in the United States without a corresponding addition to such capital as is offered in the form of employment, then the share which each laborer can demand will be somewhat less than before. If, on the other hand, capital offered to laborers should increase more rapidly than laborers, the division will be altered in favor of the laborer. When capital is abundant and everywhere seeking employment, you find that there are more situations offered to employees, and wages and salaries go up. If business is bad, and capital is timid, employment is hard to find. Moreover, the competition of capitalists with one another in the market is far keener than the competition of laborers with one another for employment, great as that is; and when capital grows rapidly, the fall in the rate of interest for the use of capital is a natural result.

In spite of the increasing demand for capital in recent years due to the opening of our new resources, and the widening opportunity for investment, the rate of interest on sound investment in the United States has been, as a matter of fact, steadily falling, or at least it has not risen. Every

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banker can give evidence on this point; every depositor in a savings bank has found this out. The high rate of interest on capital loaned on Western farm mortgages has fallen. At least, the proportional share of capital, for its use in production, has not risen. There is absolutely no question as to the fact. If then, the proportion

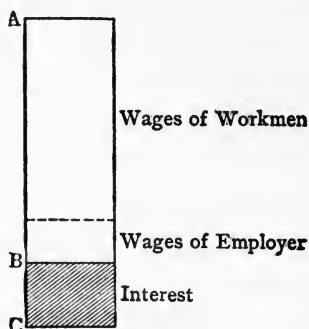


FIG. 1

which interest, BC (Fig. 1), bears to the whole, AC, has not risen, the amount which goes to labor as wages, AB, has not decreased. So far as the "conflict between capital and labor" is concerned, the conflict does not appear to be going against labor. One cannot, therefore, believe in any conflict between labor and capital in this sense. The facts, in truth, show an increase in the money wages of labor in the last fifty years, a decrease in the hours

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of labor, and a fall in the prices of many of the articles consumed by the laborer.

But that a real "conflict" exists, one which causes struggles and misunderstandings and a sense of wrong, no one can doubt in these days of labor agitations. We must admit that a very distinct and bitter "conflict" does exist, and one which we are not to get rid of very soon. Let us then try to ascertain where it is. In the diagram (Fig. 1), all that was not interest, or AB, was to be divided as wages among different classes of laborers. And it will be remembered, also, that we regarded the manager and owner as a laborer, who gives his time, ability, experience, and executive energy, and for which he earns wages, apart from any interest on capital that he may have invested. AB, then, is to be divided among the various classes of laborers. One does not find in the "labor problem," as it is called, a dangerous conflict between labor and capital, because interest, or the proportional share of capital, is in fact not increasing; and the absolute rate of wages is very largely affected by great advances in the efficiency of production; but one does find in it a conflict of laborer with laborer, of the lower against the higher, of different degrees of skill against each

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other—or the same venerable conflict, which is as old as society, and likely to last as long as men remain unequal, as they are, and have been in the past.

The body of laborers can be roughly divided into several classes, as was shown in a former chapter.<sup>1</sup> It is not necessary to demonstrate that,

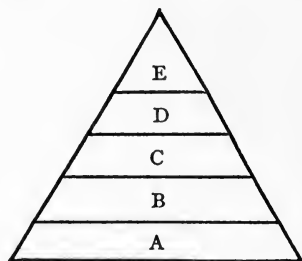


FIG. 2

although men are equal politically, they are not all equal in capacity or training. X's vote may be as effective as Y's, but X may not begin to compare with Y in the management of a great factory. The explanation of a great deal of social philosophy based on the right of a man to enjoy equal wages with every other man in the community, is to be found in the strength of this idea of political equality in the eyes of the State; and by easy logic

<sup>1</sup> Chapter III, p. 56.



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it is supposed to be equally true in the radically different system of industrial life.

Now the distribution of AB is made among the various classes of laborers, A, B, C, D, and E; and all these classes of laborers are necessary to production. But the employment offered for these classes does not correspond to the number of laborers in each of the several classes; those lowest down, in A, form the largest group relatively to the demand for their work, and the competition of a large body of men within their own group keeps wages low; those higher up are less in number by reason of a natural or artificial monopoly, arising from the possession of innate or acquired skill. Those in B are less numerous than those in A, because it is necessary that they should exercise some skill; they are protected from the competition of all but the most enterprising men in A (those who want to rise in the scale); and their wages are larger on the average than those in A. And so of the other classes, *mutatis mutandis*. There are less of the highly skilled in proportion to the demand for them than of those in the lower classes, and so their wages are higher. At the top, in a number smallest of all, relatively to the demand for them, are the capable industrial man-

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agers, or "captains of industry"—who receive high wages because there are few of them. The earnings, nay even the very establishment itself, depends upon their management. Because the men who can successfully direct an insurance company, a bank, a factory, or a railway, are few, their wages are high. It is a natural monopoly. Were every laborer in A as competent as every one in D and E, he would get as good wages as those in D and E could get.

After this brief explanation of Wages, let us now consider some of the relations in which Christianity and education stand to it. Is there in the fundamental principles of economic distribution any place for, any harmony with, Christian teaching? To me it seems almost superfluous to ask such a question. Christian teaching and education have everything to do. In order to secure redress in the "conflict of laborers" they are the very forces upon which the workman must always rely. The whole labor question, considered from the point of view of social reform, consists in enabling a laborer in A to mount upward in the scale to B, and C, or even to E, if he can.

## POLITICAL ECONOMY AND CHRISTIANITY

### VII

So far, then, we have explained the general economic principles by which wages are allotted. Now, let us leave the discussion of principles and consider what actual means exist for raising men in this scale. Do not understand me as thinking that the whole duty of man is accomplished when his wages are increased; for, of course, there are other things to win of higher value than mere material wealth; but, still, we are now asked to consider the differences in material rewards in this world, and it is a part of every man's life-problem to study them. And these are the very things which are to-day in everybody's mind.

Seeing the labor problem as a "conflict of laborers," of incapacity against capacity; and believing that as men rise in the scale, both their wages and their chances of a further rise increase, I have already suggested in Chapter III some practical means for aiding in the advance of workmen. Here, it may be permitted to confine ourselves to emphasizing the relation of Christian morals to the elevation of the workingman. In truth, they lie at the basis of industrial progress. To learn how to adapt one's powers to a given end;

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to obtain self-mastery; to learn how to regard the future as above the present; to follow the higher and the unseen to which better motives call one; to learn to do what is disagreeable and repugnant to one's inclination, provided it is right and honorable; in short, to acquire character—this will enable a man to rise in the moral scale, "to take up his bed and walk." As he becomes a better man morally he will become a better [man industrially; as he rises he gets into a less crowded class; he is better able to see around him; and so he learns to rise still higher. As he gains one advantage, that becomes an additional assistance in his upward journey; he grows in power as he advances. There is thus in economic conditions an exact illustration of the biblical precept: "For he that hath, to him shall be given." The real difficulty is in overcoming inertia at the start; after that mere momentum does something. And it is equally true that self-mastery must not be intermitted. Shiftlessness and intemperance bring their swift punishment: "and he that hath not, from him shall be taken away even that which he hath."

Yet we hear it repeated from many mouths that the laborer is the slave of the capitalist, that he is oppressed and down-trodden, that he is kept in a

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condition of hopeless serfdom. Yes, it must be admitted that he is only too often a slave—but not as many seem to think of it. He is only too often a slave to his own ignorance and incapacity. And this, too, is a very real thing. He remains a slave, because he remains unconscious of things which might stimulate him to better work; and if ready for better things, he does not know what to do. He does not know about savings banks, or co-operative banks, or building associations, or co-operative stores, or evening schools where he and his children may be taught the trades; nor does he understand why he should need these things. Here it seems to me the vast mass of the ignorant and unfortunate have a claim upon the wisdom, advice, and intelligent sympathy of the successful and fortunate. It lays the responsibility on every one of us. Better than the gift of money is the personal interest and assistance; the money is quickly given, and the matter is off the mind; but the assistance takes time and wisdom. In short, the solution of the labor problem is not to be reached in an hour or a year; it calls on us for the exertion of all those forces which have been operating for centuries to civilize and improve the human race; and the movement of persons from the lower into

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the higher classes, which will give higher wages, must be accompanied by the moral sense which will govern the expenditure of the higher wages. Not merely more money and more comfort should we ask for our fellow-men, but more character.

It may be supposed that in what I have said reference was had only to men. The responsibility which lies on us to aid in the material progress of women is even greater; because the avenues open to working women are fewer than to working men; custom and competition are much more influential in lowering the wages of women. To help them we must follow the same path. We must lead women to see the value of saving. But this is not all. Are we doing all we might to establish free schools where unskilled women, thrown on their own resources, can learn to become really good cooks and housemaids? Are free schools as plentiful as they might be, where women can be trained as type-setters, telegraph operators, typewriters, nurses, wood-carvers, decorators, or architects? There is certainly no limit to the practical work to be done to make ignorance less helpless, and incapacity less discouraging.

## POLITICAL ECONOMY AND CHRISTIANITY

### VIII

Therefore, when some persons proclaim that the "labor movement" is a crusade against oppression, and for the emancipation of the workingman, one scarcely knows what they mean. Just so long as men remain imperfect and human, there will be found the bad as well as the good. There is no recipe for the extinction of evil that we know of, which lies in the hands of society. Some persons represent the existing evils of the laborer's lot as due to some artificial constraint. They speak as if low wages are paid because employers are oppressors; they overlook the grounds for differences of wages arising from differing capacities and from overcrowding; they propose to alter the laws of the United States, or cause a social revolution, or regenerate society in the twinkling of an eye.

If there is any one thing more important than another to aid men in rising to a higher level of comfort, and one which to my mind is fundamental, that thing is, as I have said, the growth of individual character. It depends on motives which have their results in individual conduct; it is something which no one else can do for another. It is the growth of self-help. That which a man

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accomplishes of and by himself is worth not merely what that single result appears to be, but the power of accomplishment, which is learned by the doer. To save a sum of money is not all that is valuable; the new man that rises out of the process of that saving is different from the old spendthrift. By doing he grew; and the second sum is far easier to save than the first. In the struggle for industrial progress, almost everything hangs on self-help and individual exertion. Character must be made from within. If this be true, what must we think of those doctrines which are sometimes taught in high places, and which assure the workingman that he is a victim of error and injustice, down-trodden and oppressed by a vicious social system, and that the State shall undertake his release. An act of Congress cannot make character or efficiency. But so long as man remains what he is, he must not be enervated in self-help and personal energy by any illusive hopes held out to him from outside. Dependence on the State, and individual self-help—the one is damaging to progress, the other lies at the root of all civil, industrial, and religious advance in any land.



## CHAPTER VI

### LARGE FORTUNES

#### I

THE hostility to large fortunes does not diminish with time and events. The violent denunciations of the discontented classes, or of the more extreme socialists, find an echo in the ranks of the more conservative groups. Into these expressions, evidently based on strong convictions, has entered the sting arising from a passionate sense of wrong: that these enormous accumulations are possible only at the expense of the poor; and that women and children go cold and hungry in order that others may go warmly clad and live luxuriously. In this point of view there is a hopelessness which serves as the incentive to brute force, to wild assaults upon the bulwarks of property and institutions. What are we coming to? Are the times out of joint? Certainly we are forced to face the facts as found in the thinking of great numbers of people.

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To say that a man is a multi-millionaire is to many equivalent to saying that he is an enemy of society, reaping where he has not sown, and protecting himself in his vast possessions only by the corrupt control of municipal councils, legislatures, and even the highest courts. It is this state of mind which leads some intelligent writers to hint of another French Revolution, and of prison bars for the financial kings. Yet, as we look back a century, there was not, at least in the United States, any such antagonism between rich and poor. Perhaps the contrasts between the richest and the poorest were far less marked then than now, and the causes of dissatisfaction due to impotent rivalry were more generally absent. In those earlier days, obviously, the total wealth of the community in all forms was very small in comparison with its diffusion to-day.

In Parkman's account of La Salle's marvellous winter journey from Fort Crèvecoeur, on the Illinois, to Fort Frontenac, at the eastern end of Lake Ontario, we get a vivid picture of a region now covered by a busy, struggling, commercial community. Then "the nights were cold, but the sun was warm at noon, and the half-thawed prairie was one vast tract of mud, water, and dis-

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colored, half-liquid snow." Often without food, watching by night against Indians, and marching by day, loaded with baggage; "sometimes pushing through thickets, sometimes climbing rocks covered with ice and snow, sometimes wading whole days through marshes where the water was waist-deep," La Salle spent sixty-five weary days in this thousand-mile journey to Fort Frontenac. How far in the past all that is now! Over against the picture of La Salle place another of a modern journey in a warm, luxurious Pullman car, which travels over the same distance within a single day. The contrast is great; but what has happened on this "half-thawed prairie" since La Salle passed by? What are the forces that have changed the world of La Salle into the rich, bustling world of to-day? In his time there were in this region numbers of human beings, the same soil, the same climate, the same rivers and lakes as now. Why should there not have been then the same vast wealth which we see about us now, —great cañons of skyscrapers, miles of factories, scores of converging railways, and millions of shipping tonnage?

Of the two chief forces at work to produce this miraculous transformation, evidently one is the

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power to grasp an ideal, or future gain, so distinctly that present action, or indulgence, is directly controlled thereby. This quality of human beings is the first and most fundamental characteristic of civilization. It is the absence of it which forms the Mexican, the negro, or the inefficient savage. So improvident were the Paraguay Indians, so Mr. Rae tells us, that they cut up their ploughing oxen for supper. It is the presence of it which makes possible the docks, bridges, steamships, and irrigation schemes, all of the returns from which will be received only many decades hence. Moreover, it is the quality which causes saving—the very reason for the existence of capital. The willingness to forego consumption which provides a present indulgence in order to gain some future object is only a description of the process by which capital comes into being.

This physical world, on which the human mind can have its play, is as interesting in its capabilities as a conjuror's hat; almost anything can be got out of it, almost everything depends upon what we ourselves are, upon our skill in handling nature. In the infancy of civilization, mankind, with but crude, unaided effort, could produce only a little more than subsistence. This

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little excess, however, could be saved, put into simple implements of industry, which made labor more efficient, again made possible new savings, more implements, and, in the endless round of centuries, the final accumulation of travelling cranes, harvesters, motors, telephones, and rapid communication by steam and electricity—in brief, all the marvellous efficiency of present industry. All this would have been impossible on the prairie of La Salle without a people capable of duly estimating the future over the present.

This array of the productive forces of society shows the necessity of capital to the present output of wealth and to the present welfare of all classes. If men had not been, decade after decade, saving and storing up capital, it would be as impossible to employ the great mass of laborers now existent as it would be to feed an army in the field on promises instead of on solid rations. Some overwise persons among us growl ominously about the right of capital to exist or to share in the results of production: this is as if, forgetting the necessity of air for human existence, we should object to air in general because it is sometimes dirty or malodorous. Capital, it is true, may be

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unfairly used by industrial managers; and yet it is quite as necessary to the life of industry as air is to the human body.

Capital, however, is only one of the means by which the human brain has shown its capacity to enlarge the satisfactions of society. Besides the implement, there must be the power to direct the implement. The second force necessary to recreate the "half-thawed prairie" of La Salle is the devising and organizing mind of the "Captain of Industry," the mind competent to manage labor as well as capital, and to direct them both in successful enterprises. The possibilities of production are never realized without this direction by pre-eminent managerial ability. Yet to some minds, possibly, this proposition does not appear as axiomatic.

Seemingly, everything will go on satisfactorily when we have present all the essential factors of production: (1) boundless natural resources, in fields, mines, and waters; (2) accumulations of capital, as just described, which allow us to discount the future in long-lived enterprises; and (3) abundant human labor. Something, however, is still lacking. Leadership is as essential in industry as in politics or anything else. Human labor

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may mean nothing, or everything. Therein lies the understanding of much that is puzzling in our economic problem. Is labor all of a kind? Obviously not. Taking the world as we find it—and not as we may see it in dreams—as there are all kinds of work to be done in the industrial field, so there are all kinds of men in respect of intelligence, efficiency, and productive capacity to perform these tasks. In the republic of work there is no Declaration of Independence which pronounces “all men equal.” Before the law, as respects rights and liberty, all are, of course, equal; but in the practical operations of industry some are privates, some are captains, and some are great generals and geniuses. As an army needs officers, so the industrial organization needs managers. In fact, whether the industrial campaign ends in success or not, for high or low, depends pre-eminently upon the quality, insight, and guidance of the leader in charge. Good management means large product; poor management means ruin.

The human element in production, whether in the work of guidance or of obedience, varies as widely as human nature and capacity. *Tot homines, tot capacitates*. For services

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to production, laborers may be roughly classified by strata, as in the diagram given in chapter III,<sup>1</sup> the unskilled men in A, the slightly skilled in B, the highly skilled artisans in C (such as the locomotive engineers), the highly educated professional men in D (such as civil engineers, electrical experts, and the like), and finally the exceptionally capable managers in E. In any one industry some of each kind are required, but not with the same intensity of demand; nor are they wanted in the same relative numbers in different industries.

The unskilled man in A has no wide choice of occupations that he can enter; he can do only the work demanded of his class. And yet, as compared with the demand for them, the number of laborers in this strata is enormously large. Moreover, in the A class there is the least capacity to set the future gain above the present indulgence. Thus we find increasing numbers in the very group whose activity is restricted to a given kind of work. Among those least competent to add to production, there is the greatest supply relatively to the demand for them. Their share is small, not only because their industrial efficiency is small, but because the supply of them is excessive.

<sup>1</sup> Page 77.



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As we go up in the scale of industrial efficiency, we find the numbers in the strata of the more highly skilled much less, while the intensity of the demand for them increases. Hence wages increase the higher we go. In the top strata, containing the most efficient managers, we find the highest wages paid throughout the whole industrial field. When a blundering or incompetent manager costs a company millions in losses, a fifty-thousand-dollar man, who adds millions in gains, is a cheap laborer. In this struggle up the scale from A to E we find the real social conflict. It is a contest between different kinds of laborers—a contest of varying grades of industrial capacity with each other. It is a free-to-all race, in which the most competent win. The great industrial manager, being the most highly skilled laborer obtains enormous wages for exceptional services to production. This exposition gives us, in brief, the economic reason why, in a country of phenomenal resources like the United States, men of exceptional industrial ability can acquire exceptionally large fortunes legitimately; although it does not imply that all men are honest and that no fortunes have been made in dishonest ways.

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Such an outcome is not confined to one field of activity. Great capacity which has shown its effects in literature, art, music, oratory, or statecraft will none the less come to the fore in industry. In this country, where our resources are almost untouched, and where chances are open to all, great managerial power can no more be prevented from accumulating large fortunes than great oratory or great learning can be prevented from winning success and fame. It is as silly to carp at great industrial capacity as it would be to carp at great literary ability. Great wealth, like high office, is power; we cannot object to the one any more than to the other. As a race, we have been working, in the domains of law and government, for centuries not to abolish high office, but to regulate it by proper checks and balances so that it may work for the good of the many; and, in the domain of economics, it is equally our task not to attack large fortunes in themselves, but intelligently and without hysterics to set about the creation of checks and balances by which great power in the form of wealth may be so controlled that it will do no injury to the many.

In adjusting our actions to the facts in connection with the accumulation of vast wealth, we must

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keep one other point clearly in mind. In the general and indiscriminate condemnation of great gains this following consideration is frequently overlooked. Industrial managers could not themselves legitimately accumulate large fortunes, unless by their operations they had in some way abridged the sacrifices of production, or given the public a better article or a better service, or one at a lower cost, or had in one way or another created a vast new wealth, out of which they have been able to take only a part. A few illustrations of this principle may not be amiss.

In south-eastern Europe, Baron Hirsch amassed a princely fortune by insight into the means of new and improved transportation for the region of the lower Danube. The resources of inaccessible districts in the Balkan States were as if they did not exist: cut off from markets, there was no employment of capital, and laborers lived a pitifully mean existence. With the vision of a prophet this man of exceptional managerial power wove webs of railways throughout those districts capable of improvement, and brought a market and employment to these men in skirts and turbans such as had never before stimulated their industry or rewarded their labor. A new

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surplus wealth came into existence; out of the carriage of the new goods Baron Hirsch obtained a profit on his railways. The toll he took from the new millions made up a large reward to him, but it was only the fraction of a vastly larger gain which he gave to those communities by his judgment and capacity. And it may be added here, by way of parenthesis, that he would have increased the wealth of this region far more than he did if he had not been hampered at every turn by the ignorant interference of governmental control of rates, especially in connection with through transit.

Coming nearer home, another instance can be found when the first Vanderbilt, at a time when his outlook was far beyond that of his contemporaries, foresaw the possibilities of opening up the empire between the Great Lakes and the Atlantic seaboard. On the thin, stony soil of New England farmers were growing wheat and corn, but at a high cost in effort and outlay; while the rich loam of the prairies from Indiana to Dakota was as little known as the Soudan of to-day. The valley of the Genesee, in western New York—later known as a fertile wheat region, and now celebrated for its dairy products—was then scarcely touched by the plough. For opening up the un-

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counted resources of this splendid region, Mr. Vanderbilt risked all the capital he had, or all he could control, in a scheme to connect New York with Buffalo. He bought short railways already built, constructed connecting links, until the line crept up the Hudson to Albany, thence westward along the easy grades of the Mohawk, past the Genesee, to the Great Lakes. What was the result? He made possible the settlement and cultivation of whole States, he gave an outlet to markets for the products of field and mine, not only along the course of his railway, but in all the territory reached by the Great Lakes. Immigrants and capital poured in, while goods moved both in and out, permitting the profitable investment of untold millions in all the industries of this vast interior. And the day laborer in New England could transport his sustenance for a whole year from the rich prairies to his place of work for the price of one day's toil. If Mr. Vanderbilt accumulated fifty or sixty millions of dollars by this great labor-saving machine, it was possible only because he had enriched the country a thousandfold more. The penetration which saw a great opportunity gave him a profit in proportion to the extent of the enterprise. It was not a case of monopoly; any

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one else, equally capable, would have been free to do the same thing. The truth is, his kind of insight and ability was rare—and it remains rare to-day.

Without multiplying instances, it is perfectly possible to see that these captains of industry may accumulate millions, not only without robbing others, but in the process of benefiting others, especially those who are in search of employment. Men of this character serve precisely the same function as the inventors of labor-saving devices. When Howe invented the sewing-machine, he abridged human effort in obtaining clothing. He secured a fortune out of the new surplus of wealth made possible by his addition to the efficiency of the human race in its productive efforts. The same is true of the invention and manufacture of harvesters and agricultural implements. The farmer voluntarily chooses the machine because it lowers the cost of getting the wheat into his bags. If it had not been a gain to the farmer, the machine would not have been introduced. The profits made by makers of such devices, therefore, are not stolen from the farmer.

If it be said that these gains are not made at the expense of the consumer, but at the expense

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of the laborer, it must be recalled that in this free land it is open to any laborer to get the high returns of managerial capacity, if he can prove his competency; and he need not continue to receive low wages if he can increase his industrial efficiency in the processes of production.

### II

It is, of course, perfectly understood how unpopular such exposition as this which has been already given may be. Moreover, it is likely to be said—even though there is not a word of truth in it—that these utterances have been influenced by pressure upon academic liberty. In spite of the evident dangers of misrepresentation, however, there is no other way possible than to put forth the truth according to one's convictions and investigations. If criticism is carping, and scant of logic and impartiality, its day will not be long.

While one must, therefore, set forth only what appears to be scientifically sound, and that which appears to be true, as distinct from popular prejudice or misconception of the facts, still, no one can be oblivious to other sides of the case than that presented above. Why should there be so widespread a conviction, honestly held, that the rich

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are harpies preying upon the poor, and gaining large fortunes unrighteously? Obviously, in replying to such a question, not everything involved in it can be here treated; but some of the main considerations may be touched upon.

In the first place, it is no more likely to be true that all managers are good and just than that all workmen are honest and faithful. There are, and will be, good and bad managers, just as there are, and will be, good and bad workmen. The error of the popular prejudice against the possessors of large fortunes consists in making the line between the good and the bad coincident with the line between the successful and the unsuccessful in money-getting. In truth, the line between the good and the bad cuts through both classes. It is as foolish to suppose that all money-makers are wicked as to suppose that all men with brown eyes are wicked. An evil man will show his bad qualities, whether rich or poor. If a manager of great capacity is of this sort, then when he comes into control of capital he may unscrupulously grind his workmen, cheat his creditors, buy franchises by bribing city councils, corrupt legislatures—and cynically defy the outraged public opinion of the community. Such a



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man is not unknown to us. He is to honest industry what the grippe is to sound health—he weakens the whole system. By unfair methods, by dishonesty, by bribery and corruption, large fortunes, just as high office, may be illegitimately accumulated. A man may thus add no new wealth to the community, but merely transfer wrongly to himself wealth which others have produced. Because of such gains, however, it is not a mark of maturity to condemn sweepingly all gains. We must discriminate; and we must know the facts before we pass judgment.

Discrimination, also, should be properly exercised in making a clear distinction between the way in which a fortune is accumulated and the way in which it is used after it is won. The one may be right, the other may be wrong. Great wealth may be honestly gained by adding to the efficiency of production; and then an unprincipled owner of this new wealth may put the power resident therein to mean or vicious uses. Many of us can recall a railway magnate of unsavory reputation who, in all probability, gained a considerable part of an immense fortune quite legitimately by reason of his remarkable insight into industrial problems; and yet, if we are to

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believe the evidence of the press, he used his gains in wrecking railways—selling the stock short, impoverishing the weaker shareholders, buying the stock for a song, and then putting up the price of the securities again by restorative management. Is it any wonder, therefore, that indiscriminating people sweepingly condemn all large fortunes as dangerous to the commonweal? Dishonorable use of wealth is probably no more common than dishonorable conduct in public office. But, while it is possible for large fortunes to be rightly earned, no one wishes to defend or apologize for the improper use of that which has been well come by.

Best of all, for the man who has not only honorably won his wealth, but who has spent it honorably, we have good ground for admiration and high acclaim. When a certain New England youth left the elm-shaded streets of Danvers, he was poor in purse, but rich in high purposes, kindly sympathies, and an untried capacity for accumulating wealth. He has been dead these many years; but the great wealth of George Peabody nourishes the literary life of his native town with books and libraries; vast accumulations of scientific material relating to the early history of this continent, placed in Cambridge by George

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Peabody's munificence, will serve thousands of students in all the years to come; and year after year, to the present day, a commission of the best and wisest of our public men have gathered to distribute a splendid fund devoted by this rich philanthropist to the elevation of the negro, to the growth of education in the South, and to the security of our institutions.

While such lives as George Peabody's give the lie to indiscriminating condemnation of all large fortunes, yet there exists a condition in our political development which may justly give us great concern. Things are going on in our local and national councils which give plausible grounds to the agitators who speak against existing institutions with curses as bitter as quinine. To buy the easy passage of legislation from a "boss" is the common method of business men who look for short cuts to their objective. In some persons, who control legislative votes, resides the power to blackmail rich corporations by rumors of examination, to furnish favors, and to exact campaign contributions, which would do credit to a Spanish governor in a distant colony. Even if the thing desired is something quite proper and necessary in itself, it becomes the usual thing, to save time

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and annoyance, to hand a purse to an attorney of dubious standing and instruct him to secure the passage of the ordinance or bill. More than that, the belief has become wide-spread that the national councils contain men who are the representatives of private financial interests, and that remedial legislation for the benefit of the general consumer is blocked by the long purses of the rich for the protection of their private interests. The bribing morals of such members of the rich element among us are largely responsible for the corrupt municipal council and the venal legislature. Correct the bribing morals of those who possess the means to bribe, and there would be "nothing in it" for the debased councilman or legislator.

If we have no moral responsibility in the use of wealth, then we shall have abuses arising from the disposal of wealth, just as from the disposal of power in any other form. Millionaire wealth, I repeat, is millionaire power. The right or wrong of it is not in the wealth or power itself, but in the controlling spirit behind this wealth. It is not the knife of the assassin we detest, but the assassin himself who wields the knife. If we insist on venting our displeasure on the existing system of distribution, by all means let us direct

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our vituperation, not against wealth, but against the turpitude which makes a wrong use of a power that has endless possibilities for good. A gun fired against a brutal foe in defence of family and country may be glorious; but the same gun fired for vanity and for selfish conquest over a weak people is damnable.

As in most questions which are complex, we need discrimination and knowledge of the facts before judgment is passed. One must have little patience with the narrow-mindedness which energetically works in season and out of season to get sweeping legislation to level the inequalities of wealth, or to prevent the existence of large fortunes. It is like establishing ordinances against knives, or razors, because some one may make bad use of them. There will be inequalities of wealth just as long as there are differing industrial capacities in men. It would be as futile to attempt to regulate accumulations of wealth as to legislate on the weather. The extreme bitterness against wealth, although excited by the abuses of large fortunes, is to some extent made up of envy. It is like the "yawn" of a dog running alongside an express train, indignant that it cannot run as fast or make as big a noise as the train.

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Instead of destruction, the higher way always is by construction. The wrong is not in the gun, but in the man who wrongly directs the gun. The one thing that we can all do, and do strenuously, is to work altogether for a higher standard of morals and character in the person who controls the power of wealth. We can refuse social recognition, or public office, and the esteem of his fellows, to the debased manager of power, be it power in the form of wealth, or brains, or inherited prestige. The indictment of all wealth without discrimination is folly, for large fortunes may be honorably won and honorably spent; fortunes honorably won may be dishonorably spent; fortunes dishonorably won may be honorably spent; and fortunes may be dishonorably won and dishonorably spent. Here is our whole subject in a nutshell.

## CHAPTER VII

### VALUATION OF RAILWAYS

#### I

WHEN boards could be smoothed only by hand, a man with a plane might finish, perhaps, ten boards in a day. As soon as a planing-machine was invented, a man with such a machine might finish, perhaps, 500 in a day. (1) If the inventor owned all the planing-machines, he could hire them out, and builders would pay him a return something between the cost of smoothing 10 and 500 boards. To give the builder some advantage the inventor might charge for the use of the machine the cost of finishing 450 boards; thus the one would gain 40 over the old hand-system, and the inventor would enjoy a royalty of 450. The latter, if the price of finishing a board was 10 cents, would receive \$45 as rent for his machine, and he could sell it at a price that would return him \$45 a day, more or less, according to the depreciation of the machine.

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That is, the monopolized machine would sell at the capitalized value of its earnings; and the inventor could retain this gain only because he had a monopoly over the machines which represented in permanent form his creative and managerial ability. (2) On the other hand, should the construction of planing-machines become common property, and thus be obtained by any one at the mere expense of producing them, the price of a machine would at once fall to the sum which would cover its expenses of production. Its efficiency may have remained as great as ever, but its value, when freely reproducible, would fall to its simple cost of reproduction. If not monopolized, this price under ordinary circumstances could go no higher. That is, supply can dominate utility in its effect on price. Thus we may see that a valuation based on a capitalization of earnings is, as a rule, possible only under more or less strict monopoly conditions.

Such a method of valuation, however, has played a prominent rôle recently in the purchase of industrial plants by combinations. Mr. Carnegie, for instance, created during many years of operation a steel plant at Homestead. When the United States Steel Corporation was forced to buy



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him out, how much should it pay for the plant? On the one hand, the cost of reproducing the plant, its machinery, coke-supplies, railways, etc., might perhaps be \$100,000,000. That sum might represent the actual capital invested. Should the value of a plant be computed as equal merely to the value of the capital put into it? Certainly not, unless, as in our former illustration, it were a freely reproducible article. If any group of men on the street, who could get together the required capital, could build and conduct a mill as profitably as Mr. Carnegie's, then the Homestead works were worth in the market only the cost of reproduction. A higher price could not be paid, because a similar establishment could be built at once at the price of construction. On the other hand, we are told that the most sagacious business men in the country paid Mr. Carnegie some \$400,000,000, or even more, for this plant. It was also shown in the courts that the earnings in some years had been as high as \$40,000,000. In short, no one hesitated to fix the price of the going concern by its proven, or average, earnings in a period including both lean and fat years. A capitalization of earnings was the method adopted for ascertaining the selling price not only of a steel plant,

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but of countless other industrial plants in the days since 1897. Why? Because Mr. Carnegie's mills were not freely reproducible articles. They were not freely reproducible, because similar managerial ability is scarce. Obviously, their earning power was due, not merely to the actual capital invested—for capital in and by itself does not produce anything—but to the energizing, fertile, devising, inventing, directing, and crafty mind of the manager of the whole institution. His organizing and constructive genius formed a productive machine of high efficiency; his power of obtaining coke and ore; his knowledge of men and markets; the men of inventive genius, like William Jones, whom he gathered around him; his insight into politics at Harrisburg and Washington; his dealings with transportation companies—all worked together with his invested capital to build up the annual earnings. In the price paid for his property was a large sum which represented the permanent efficiency of the machine created at Homestead. It was a case of a natural monopoly. It was open to other men to do the same thing; but few there were who could do it as well. A high price, therefore, was paid for a natural monopoly formed by a creative mind. It would be

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aside from the point to pay only for the capital invested; for admittedly capital is only one of the factors entering into the production of things of value.

### II

The question as to what is an equitable basis of valuation has been discussed in connection with other than industrial plants. Very recently the true method of valuing railways has been brought forward, not only as a means of controlling rates on traffic carried, but also as a means of regulating the amount of railway securities issued, and to afford a basis of taxation. Two methods of valuation, in general, have been proposed: (1) a commercial valuation, based on earnings; and (2) a physical valuation, based on an inventory, at an appraised value of the tangible property. This, in effect, is but an application of the general principles previously observed in regard to planing-machines and industrial plants. Thus we are obliged to determine the sources of a railway's earnings, and whether it is a monopoly or a freely reproducible article. If the former, its value should be fixed according to its earnings; if the latter, according to its cost of production.

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Is a railway, in truth, capable of reproduction by any group of men who can control merely the capital needed to create its visible property—its cuts, fills, bridges, road-bed, stations, rolling-stock, wharves, and terminals? If one had the funds, could one make another Pennsylvania Railroad just like it? Clearly not. Why? To parallel it would not accomplish the task. In fact, the actual going concern is a complex, not merely of tangible forms of capital, but of capital guided and shaped by men who “bore with a large auger,” and who have created an individual machine specially adapted for transportation in the particular region and cities which it serves. It is profitable precisely because it is different from other roads differently circumstanced. Each railway has problems of its own; and if each is now fairly well established, it is because it has had the services of men capable of the highest order of constructive managing ability. A successfully organized railway is as much the result of efficient management as a successful newspaper or magazine. A definite *persona* has come into being, capable of continuing usefulness under experienced guidance. Such an organization is as little capable of being freely reproduced as anything

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under a natural monopoly—like a great book or a work of art.

Nevertheless, in the generally critical attitude of to-day toward railways, caused no doubt by conspicuous cases of indefensible "high finance," there has sprung up in several States, as well as at Washington, the intention to make a physical valuation of railways, in order to prevent over-capitalization and unduly high rates. Behind this intention there is a very definite idea that the earnings of railways are attributable in the main to the capital invested, plus the income derived from privileges given the roads by the public. That is, earnings are analyzed as due (1) to capital investment, and (2) to franchises, and that the earnings from the latter should be in some way—by lowered rates, or otherwise—returned to the public who gave the privileges. Then, obviously, the railways should be allowed, on general principles, to receive a reasonable income on only the capital actually invested. This proposal has been strenuously opposed by the railways, generally on the ground that a commercial valuation based upon earnings is the only correct method of valuation. To this it is answered that no one denies the validity of determining the selling price of a

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railway by capitalizing its earnings; but it is claimed that the real point at issue is to be found in ruling out a certain part of the earnings, and thus forcing a reduction of the capitalization. In brief, it is urged that all earnings due to franchises should be eliminated, that they should not be capitalized or represented by securities, and, consequently, that there is no justice in the claim that rates should be maintained at a level high enough to pay fixed charges and dividends on a capitalization which includes that based on franchise earnings. The plan to make a physical valuation of a railway, therefore, is only a means to an end, and a means for separating the earnings due solely to capital from the earnings due to franchise privileges. The real question at issue, then, hinges on the nature of these privileges, how far they give special gains to the railways, and the right to such income.

### III

In this country, a railway is an instrument of transportation which can be constructed freely by an outlay of private capital. There is no monopoly in the sense that only one road can be built between two initial points, like New York and

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Chicago. Several lines may compete for traffic originating in these two cities, but each one would diverge in order to gain the advantage from local traffic between different parts of the country lying between the two points. A parallel road is a "freak." Thus, so far as mere construction is concerned, a railway is not a monopoly. Yet, once constructed, it cannot be bodily removed, and no other road is exactly similar to it in work and returns. By virtue of its location it is what it is, and different from any other line. In one sense, it cannot be competed with in certain services. In that respect it has a monopoly situation by virtue of having been first placed where it is, since people and industries gather at that place because the railway is there. But in the sense that the price it receives for its service is open to competition in many ways, it has no monopoly.

Apart from a quasi-monopolistic position into which it grows with the passage of time, a grant of a charter by the public to a railway creates thereby a quasi-public institution. The power to condemn real estate for right of way, and the privilege of conducting a transportation business, which by the nature of a railway is locally more or less monopolistic, carries with it an obligation

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to give equal treatment to all shippers. This is the reason why railways are justly supervised, so that the rights of all—shippers as well as shareholders—shall be respected. And, since the capital for building a line is provided by private enterprise, there is no valid reason for governmental regulation except to interfere when the rights of some persons are restricted. To this, it should be added that—even though it is a quasi-monopoly and a quasi-public institution—the investment of private capital in a railway, of necessity, implies the taking of all the risks involved in the building up of a transportation instrument. These risks are serious and many: the wisdom of making large investments in tunnels, wharves, and terminals; assuming the initial expense for possible future traffic in new territory, or in competing for traffic in old territory; planning for access to new and even foreign markets; the stimulation of local industries; keeping up with inventions and the progress of the age, and yet accurately deciding which project will be a commercial success; construction of competing or parallel lines; losses by floods; depression of business, which reduces traffic; failure of crops; and meeting losses due to unexpected and ignorant legislative action.



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The privilege of carrying on a quasi-public business of transportation for profit on private capital is often spoken of as a franchise. Franchises are regarded as including "rights of way, privileges, and monopolies of location and operation, which have been conferred by public grant."<sup>1</sup> Now, in return for these so-called franchises, what return does a railway make? If it does its obvious duty, it provides prompt and efficient transportation service at reasonable rates.<sup>2</sup> If it does that, it does what the community expected to get in return for the privileges granted when the charter was obtained. So far as the efficiency of the railways and the reasonableness of the rates is concerned, it is generally admitted that, on the whole, our service compares favorably with that of other countries. Almost all the recent irritation as to railways is undoubtedly due to the belief that discriminations have existed, and all have not been treated alike. If a road does not provide efficient service at a reasonable price, the community would have a right to annul the charter,

<sup>1</sup> W. Z. Ripley, "Railroad Valuation," *Political Science Quarterly*, December, 1907.

<sup>2</sup> Whether the rates should be related only to capital investment or not, as a means of determining whether they are reasonable or not, is discussed later on.

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and—provided it made a proper adjustment of existing investments—give it to some one else who would.

The grant of privileges to a railway is comparable to the general right of private property in land granted by society to its members. Society does this, because it expects, in spite of minor disadvantages, to gain more by giving men rights of private property than it would by not doing so. When a man buys land for a farm, he expects to enjoy the unearned increment arising from the growth of population and an increased demand for his products. All citizens alike have that right at present. The proposal to take away this unearned increment from the land-owner has never been given serious consideration, both because of difficulties as to valuation, and because it would render the State liable for losses if it took away gains. Now, how does this general attitude toward private property apply to a railway? If it is expected to make a large initial outlay, at a risk as to future profit—and not all railways by any means are financial successes—shall its property be deprived of those gains due to the growth of population and wealth which is enjoyed by all other owners of property? What is there in the

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nature of transportation which sets it apart from other industries in its relation to property rights?

A railway, as well as a farmer, invests private capital in a fixed form and locality in order to obtain income. So far as either of these does not interfere with the rights of others, their economic position before the State is much the same. The quasi-public nature of a railway justifies public regulation to insure equal treatment for all; but it is also true that if a farmer trespasses on the public roads, or keeps a nuisance, he would likewise be subject to regulation. Therefore, keeping strictly to a general principle of justice, is there any more reason for taking away the unearned increment from a railway than from a farmer? If an increase of numbers and wealth increases the income, and so the value, of a farmer's land, would it be just to make an inventory merely of the capital he invested, and take away from him all his gains due to society at large? Beyond proportional taxation on an increased valuation, who else has a better claim to the unearned increment? And this, by the way, says nothing as to returns due to the farmer's skill and foresight. In truth, are not millions of farmers to-day moving out on to the cheap land of the

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West and South-west, paying low prices per acre, solely because they expect to enjoy the coming unearned increment? Is this proposal to take away the earnings of railways due to franchises any less academic than the whole question of taxing out of existence the unearned increment from land? If, then, it is an impracticable scheme as regards the farmer and land-owners in general, why should it be enforced upon one special kind of property created by society in the form of a railway?

A good deal of the hysterics shown in connection with railways seems to have been created for effect in our political campaigns; so that, discounting such motives, we should be able to discuss these matters sanely. So far as they affect his property, a farmer is allowed to enjoy, sell, or capitalize the results due to the growth of the country. If so, then why should not a railway have an equal right? Yet there are those who declare that the act of giving a charter by the public to a company to build a railway carries with it the exclusion of all claim to future income derived from the growth of the country. This is what is meant by saying that earnings from franchises should be eliminated in arriving at the true basis of valuation of

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a railway.<sup>1</sup> Provided that a railway gives prompt and efficient service, at reasonable rates, and equal treatment to all, it has made the returns to society that were expected when the charter was granted; and for the rest should it not stand on the same ground as other property, so long as the institution of private property constitutes the essential basis of our economic and civil existence? When the Pennsylvania Railway invests \$100,000,000 in tunnels and terminals in New York, it takes the same risks for the future—in kind, although not in degree—that a farmer takes when he builds a large new barn. Why should not both have the unearned increment?

As regards the growth of the country, moreover, it is well known that, to meet the new demands for traffic, railways had to be practically rebuilt, with larger and very expensive terminals, heavier rolling-stock, longer and more side-tracks,

<sup>1</sup> This should not be regarded as the same thing as letting a piece of property for which a rental is paid. In a municipality the renting of the space in the streets for street railways is to be paid for by the renting company that occupies the streets. The streets belong to the municipality; but the right of way of a railway running through the country has been bought from private owners; and in cases of condemnation, even then the land is bought from private owners, although the price is legally adjusted.

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and the like. In short, the growth of the country has, of necessity, brought about an enormous increase of the capital investment, as to reasonable returns on which there is no dispute. Now, in general, it is the line which has the best road-bed and equipment that can most easily obtain the needed capital for improvements, thus enabling it to reduce grades and lower rates on an increasing density of traffic. Thus the rates happen to vary in inverse relation to the valuation.

### IV

Whether we have in mind a farm, an industry, or a railway, there is another source of earnings which plays a very important part—one, too, which is independent of franchises. Managerial ability is often the chief item in bringing out earnings from any kind of venture, and it appears pre-eminently in the earnings of railways. There is here no intention of overlooking the cheating and unprincipled operations of railway manipulators. Their work stands in a class by itself; just as highwaymen are to be put in a class different from that of industrious farmers. The existence of sharks in railway operations does not argue the non-existence of the entrepreneurs who

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are far-sighted, square, skilful, judicious, and careful of their responsibilities to the public. The latter are not to be overlooked because of the greater notoriety gained by rascals in their own profession. In a railway, as in a great industrial plant, the organizing ability of a successful manager has often justly built up a continuing efficiency in his system which goes on when he leaves it; he has introduced new methods and shown the best way to others; and the results of his good management continue to add to the income in the future because they have been worked out to suit the needs and convenience of the public served by that particular railway. If this efficiency created by a manager in an organization is a permanent addition to the utility of the transportation instrument, it is a regular source of increased earnings—the same, in effect, as an addition to the sources of income arising from any other admitted factor in production. Since these results of management have become a constituent part of the whole transportation machine, it is as much to be regarded as a source of earnings as anything else, such as capital. For capital in and by itself is as inert without skilful management as labor would be without capital. Therefore, if good management is a source of earnings, the valu-

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ation based on such income should as legitimately be bought and sold, either in the form of securities or otherwise, as any machine—like a harvester—which results from the brain of an inventor. Consequently, we are obliged to realize that there enters in an important manner into the earnings of a railway skill of management—a factor separate from, and in addition to, the operation of franchises; and the returns from this managerial function are distinct from those chargeable either to franchises or to capital pure and simple. And if it be said that the earnings of a railway depend upon “good-will,” “established connections and contracts,” does it mean anything more than that they are due to managerial skill?

That other things than tangible property and franchises seriously influence the earnings and the valuation of a railway may be seen by reference to well-known facts. One railway, with efficient management and far-sightedness, gains large returns, puts part of the earnings into improvements, and can carry an increased capitalization with ease. Another railway, with poor management, has low returns, and can scarcely carry its original capitalization. If both started out with the same investment, in course of time the one will have a higher



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physical valuation due to improvements than the other; and yet both roads, competing at the same terminals, are obliged to charge the same rates. The failure to introduce all the necessary factors affecting earnings evidently accounts for the theory which supposes that, after having subtracted the earnings of tangible property, or invested capital, from total earnings, the result is assignable solely to franchises. One omission, at least, is the earnings of management. How important they are may be noticed in the particular instance of the Atchison, Topeka and Santa Fé Railway. Several times it had become bankrupt and gone through reorganizations. Finally, the plan was adopted of securing the services of four of the best railway men to be found in the country. It is now a fact well known to the investing world that the Santa Fé system, under the leadership of Mr. E. P. Ripley and his associates, has so increased its permanent earning power that the valuation of the property has been increased by hundreds of millions of dollars. Nor can this be ascribed either to franchises or to the unaided growth of the country; those causes were at work when the road was paying little income. The real cause of the change was the policy of the management in first putting

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the line in good physical condition, so that low rates were possible; the activity of the officials in building up industries and in developing the country through which the railway passed; and this aided, reflexively, in settling up new territory. Then, when a part of the country became well occupied—as in Kansas—for the very reason that the railway was rendering prompt and efficient service at reasonable rates, all kinds of industries ancillary to a civilized population sprang up and increased the density of the traffic. If transportation had been confined to prairie schooners, such growth would have been impossible. The railway is as much the cause of the growth of the country as the growth of the country is the cause of the growth of traffic.

### V

In the proposal to make a valuation of railways for the purposes of preventing over-capitalization, and also of controlling rates so that dividends can be paid only on invested capital, two kinds of valuation, as already mentioned, have been discussed: (1) a commercial valuation, based on earnings; and (2) a physical valuation based on an inventory of tangible property.

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In respect to the commercial valuation, made in 1904 by the Bureau of the Census,<sup>1</sup> net earnings (gross earnings minus operating expenses) were used as a basis of capitalization. The rate of capitalization was obtained by dividing the corporate net income by the aggregate value of corporate securities. The commercial valuation is a market estimate which takes into consideration the expectation of income arising from the use of the property and its strategic significance; the growth of the country; restrictive legislation; potential competition by rail and waterways, and investment demand. Since net earnings are directly dependent on rates, and the valuation depends on net earnings, obviously such a valuation could not be used as a means of deciding upon the rates charged. The proposals recently put forward reject commercial valuation because it includes sources of earnings from franchises, and not merely those from the capital invested in transportation. That is, this method of valuation is rejected because it does not conform to the assumption that a rail-

<sup>1</sup> Bulletin 21, Department of Commerce and Labor, "Commercial Valuation of Railway Operating Property in the United States: 1904."

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way should not retain earnings derived from so-called franchises, the growth of the country, and the like.

On the other hand, a physical valuation is declared to be a means of governing the rates charged. Omitting franchises, the value of each form of railway property is estimated according to its cost and its length of life, and an inventory is made of the tangible railway investment in real estate, cuts, fills, bridges, ferry-boats, wharves, terminals, stations, rails, ties, poles, rolling-stock, and the like. Hence, the new policy which seems to have been supported by President Roosevelt proposes, if we understand it rightly, to exclude all factors in creating earnings except capital. In the first place, such a method excludes from railway property the gains from the growth of the country. It is the theory of Henry George applied to railways only, although not applied to other owners of property. In the second place, it excludes the earnings due to managerial skill. In the third place, such a valuation in fact seems to have no direct relation to rates, for the very good reason that the capital is not the sole source of earnings. Finally, the attempt to trace the value of an article, like a railway, solely to one factor in production,

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separate from others, is an example of questionable economic reasoning. It is impossible to separate the results in a finished product due to distinct factors, like labor or capital, which are both necessary to the output. In a coat made jointly by a man and a sewing-machine, it is impossible to draw a line across it and say that so much was due to the man and so much to the capital invested in the machine. The value of a finished article is due to the operation of all the factors necessary to production working together. This gives the ground for claiming that a car, a locomotive, or a piece of track has in and for itself little or no value in isolation, and that their value arises from joint use in a complicated carrying instrument.

These objections make clear the reason why the opponents of a physical valuation are able to show in ordinary railway practice such evident independence of rates from such a valuation. For instance, it is well known that the rate on wheat from Dakota must be low enough to cause it to move to the central market; in other words, the price of wheat in Liverpool has more influence upon the rate than the amount of the capitalization. Moreover, wherever there is competition of

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goods with goods, or competition of carrying companies by rail or water with each other, the physical valuation has no effect on rates. Quite irrespective of capitalization, the railways eagerly compete for traffic. Indeed, it is the insolvent roads which offer to carry freight at the lowest rates; and the well-managed road must meet this cut-throat competition without regard to its invested capital. Without doubt, all the recent exasperation against discriminations arises from the bitterness of the struggle to get traffic, wholly without any connection between the physical valuations of the rival roads. Consequently, it is clear why Hon. Martin A. Knapp, Chairman of the Interstate Commerce Commission, testified before the Industrial Commission that he had not known an instance in which rates seemed much to depend upon the capitalization of a road.

The physical valuation is an outcome of many elements which are wholly unconnected with high or low rates. The actual capital invested to accomplish a possible haul of 100 miles varies with the conditions of nature, or with the soil and climate of the environment. The existence of snow, ice, mountains, deep rivers, and the like, might cause an expense of \$100,000 a mile, as compared

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with an expense to produce the same haul in a level and temperate region of only \$15,000 a mile. In the former case the physical valuation would be high, while in the latter case it would be low; and yet the former might not begin to earn as much as the latter. In fact, both roads would probably charge the same rates if in a competitive territory. The one may be a more valuable road than the other because of the density of traffic and obtain larger earnings quite irrespective of its lower physical valuation. Certainly, there are so many instances in which the physical valuation can have no relation to rates that it can hardly be seriously used as a means of regulating such rates.

The conditions which work upon rates are many and diverse, such as activity or depression of trade; the competition of goods with goods; the competition in international markets; the probability of obtaining future traffic by opening up new districts; the rivalry of different cities and interests. In many cases the rate is fixed for the railway by conditions beyond its control and which it has no option but to accept. For example, lumber from the Pacific States must be given a rate to Chicago low enough to enable it to compete with lumber from near-by States; otherwise

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the traffic would not be moved. This is one case in which the railway can charge only what the traffic will bear.

The railway opponents of a physical valuation are able to point out<sup>1</sup> that a small railroad in Pennsylvania earned \$25,000 in 1905, but in 1906, because of the building of a parallel road, it showed a loss of \$10,000. In another instance, the Cincinnati, Lebanon and Northern Railway in the suburbs of Cincinnati earned nothing; but after being sold to the Pennsylvania Company it was placed on a dividend-paying basis.

As regards over-capitalization, the case is closely connected with that of rates already discussed. Sometimes, as in the plundering of the Chicago and Alton, it is believed that a higher capitalization will be a reason for high rates; but this is seldom the case in practice. The over-capitalization of railways is chiefly a matter concerning the railway and the investor, and has little to do with rates. Since to the investor—and, in the case of bankruptcy, to the customer of the railway—it is a danger to have his securities reduced in value by over-capitalization, the wrong

<sup>1</sup> I. L. Lee, "Railroad Valuation," *Bankers' Magazine*, July, 1907.



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should be avoided by more direct and efficient means than by a resort to a dubious remedy like physical valuation. Such a policy stands out in bold contrast with that of Governor Hughes, who has met the evil of over-capitalization in the State of New York by requiring the issue of new securities to be approved by a Board of Public Utilities. This is a more rational and practicable method than forbidding the issue of securities on the ground of a physical valuation.

The relation of the question of valuation of railways to taxation is a separate question into which we need not enter here. Everything depends upon the laws of the separate States. If they tax all property upon the basis of the market value of its tangible forms, then railways should be taxed upon the same appraisal. On the other hand, unless other going concerns are taxed upon a valuation based upon earnings, railways should not be. Equality of treatment is the only rule.

In conclusion, we may recall that a freely reproducible article, like a hammer or a plane, would have its value limited by its expense of reproduction. Obviously, a railway in a certain place is not freely reproducible by other persons than the owners, and hence its value could not

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properly be based on its mere cost of reproduction. But we also saw that a monopolized plant, practically incapable of reproduction as it stands, would have its value determined by its earnings. To the extent that a railway is a monopoly, its commercial valuation will be based on its earnings. But a physical valuation overlooks sources of earnings properly belonging to a transportation company.

## CHAPTER VIII

### WOMEN AND WEALTH

#### I

**T**HERE have been many analysts of the American woman as a type—a type which must be difficult to express, seeing that our country has within its wide boundaries many differing environments, and seeing that each woman differs in nature from every other. Fiction, however, will continue to present feminine characteristics as character so long as human nature enjoys the portrayal of its own singular or dramatic performances. But the study of woman-kind in our country, as influenced by the extraordinary changes in our economic conditions, and reflexively as herself influencing the economic situation, is a matter which lies outside the realm of fiction, no matter how realistic, and has a bearing of no mean importance on the facts of our every-day life. It is a task requiring great temerity to undertake, no doubt, and one in

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which the opportunities for going astray are labyrinthine. Why speak of women, for instance, as forming an economic factor separate from men? This certainly is dangerous ground; and it is likely to call out the suggestion that the observations made of woman are equally true of man. Perhaps this is a caution which points to a truth; but *nous verrons*. More than this, an essay on American women might be said to be as definite as an essay on trees. American women are no more alike than trees; they differ as much as the persimmon differs from the peach tree. Therefore we shall not venture on the difficult task of generalization about American women as a whole; and we hope to file a *caveat* here and now that great and obvious exceptions must always exist even for every limited formulation that we may venture to make. However, if some general tendencies may be made out—which in the very nature of human beings cannot be all-inclusive—we shall be satisfied.

Large and serious changes affecting the whole community often go unnoticed by the most of us precisely because of their general and wide-reaching character. A change so large that it carries with it the surrounding details of human

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intercourse does not provoke comparisons. A gradual change of climate which leaves hills, streams, forests, fields, and homes in the same old relationship is not easy to define. So a change in the relations of women to American life, which brings a whole generation under the same new influences, leaves each member of the group under the same general impressions relatively to each other, and a new community existence moves on without much realization of its newness. Homogeneity in the new crystallization suggests no strangeness such as might be called forth by a comparison between a new and an old crystallization. That a new crystallization, however, is going on in our life under the pressure of great economic forces seems to be beyond question; and the part in it played by the women of the United States certainly offers in itself an interesting study.

Without doubt, many women of America are at the present day being put to one of the greatest tests of fibre and character which they can ever undergo—and one under which they are not appearing to advantage. A deterioration in influence and quality is coming to change the very elemental functions of a large class of women in

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our institutional life. Is this a temporary manifestation, arising from lightness of mind, out of which a sound inner strength will soon bring a better outlook; or is this deterioration only the beginning of a long and inevitable decline? Our men have always been distinguished by their good-natured, tolerant, indulgent appreciation of women. In addition, this great commonwealth has been creating new wealth in a way unknown in any other country on the globe. As a consequence, it will be worth while to focus attention on this trial which many American women are to-day undergoing.

### II

The economic characteristics of American life in the past generation—perhaps before the eighties—was the general absence of great riches and the existence throughout the country on the whole of a comparatively simple standard of living. Even the rich of that time made no great show of superior resources; and the gap between them and the so-called working classes was far less than it is now, not only as concerns the actual expenditure, but also as concerns the standards thought necessary to respectable social standing. There

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was no general extravagance in houses, furniture, clothes, ornaments, equipages. There was no such general diffusion of wealth as to create a leisure class of any noticeable extent. It was at once usual and expected that men should be busy in some occupation, no matter how old or reputable their families; and with the great body of the people necessity was the inevitable spur to work of all kinds, agricultural and industrial. Work was general and therefore respectable. There were few fictitious standards of comparison set by a superiority due to degrees of riches. Scanty incomes demanded a careful adjustment of means to ends, and forethought as to expenditure was so much a matter of course as to be counted on as an element in fashioning character and social standards.

These economic conditions were reflected in the ideals and standards of the women of that day. In women, as in all human nature, there is the good and the bad; but the environment tends either to stimulate or to lessen the good and the bad. In that earlier day, the mass of women were free from the disadvantages of being rich. Inequalities of wealth had practically no influence in causing any condescension to those who had to

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earn a living by work of any kind. Women of the best social standing took a share in the physical work of their households. To paint a little woodwork, to fashion some article of furniture, to care for the garden, to harness a horse, to study the markets, to give thought to economies, or to personally share in the care of the house were the common virtues even of women of some means. And among the generality of women a considerable part of the domestic labor in the home was performed by the wife or daughter. Among the poorest families there was much sodden drudgery; but, in the main, work had a healthy effect on the mind and body of women—and from families of this sort the nation has been recruited in robust energy, in enterprise, and in intellectual vigor.

### III

It is needless to say that a change has come over the face of our economic life. There are, of course, vast numbers who are to-day poor, or in very moderate circumstances, but it is known of all that with the enormous increase in wealth has come the creation of a very large leisure class composed of the rich and the very rich. This is



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the most significant fact of this generation. The miles of comfortable, or even handsome, houses in every large city, the thousands of automobiles on the streets, are only a few of the obvious evidences of the wide distribution of riches. The effect of this economic phenomenon upon American women is a matter of the highest import, a study of the first magnitude. It touches the very heart of our social life, and makes for good or for ill on a great scale in our immediate future. This is the test, as has been said, which a large body of American women are undergoing—the greatest test to which human nature can be subjected—the test of prosperity and riches. How are they coming out of it? It may, therefore, be the bounden duty of a student to examine this question with the same spirit with which he would approach the scientific study of the coddling moth on apple-trees. To be sure, he may not exhaust the subject, he may not even be correct in his analysis, but at least he may call attention to it, and challenge the critical intelligence of those who may differ from him.

To what is about to be said it may be replied that the same thing can be affirmed of men; that they, also, have been put to the same test. The

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relation of men to this recent economic readjustment, however, is not the same as that of women; the patent disassociation of women from industry, in the main, is a sufficient basis in itself for a separate study of the economic effects of a great increase of wealth upon some women. Women have had more to do with the spending than with the producing of wealth. Moreover, I am one of those who believe that women differ widely from men—without raising any foolish questions about superiority or inferiority—and that women as women exercise in their own way a powerful influence on the economic and ethical ideals of society. For scientific purposes the classification of women by themselves is based on sufficiently disparate situation and characteristics to warrant such an attempt as is suggested.

### IV

We may now proceed to outline the characteristics of the prevailing types of well-to-do women of the present day, as contrasted with those which were briefly set forth for the previous generation. But let me say again that there must be many exceptions to any general statements and that there is great danger in sweeping gen-

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eralizations. Nevertheless, it is possible that there may be such repetition or prevalence of acts as to form groups of facts capable of being classified and described—and from which important inferences may be drawn.

(1) The first and most obvious phenomenon is one which has appeared again and again in past history—one, too, which is founded deep in human nature. It is only natural that it should appear now in a democracy just as we are emerging from a stage of relative poverty to that of relative affluence. In primitive society, as well as in the Middle Ages, as soon as persons got power and wealth they wished distinction; they wished to indicate by their chateaux and palaces, their dress, tables, manners, and retinue of servants, a position superior to that of others. Indeed, it is a commonplace of economics that a large range of human wants arises from the desire to make a display of superiority. Such things as napkins, table linen, now in common use, were originally devised as means of distinguishing a superior from an inferior class. This general method is being employed to-day in our country among those who have recently accumulated wealth. Our so-called "smart" society differentiates it-

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self from others largely by forms, usages, and expenditures in which only a few can participate. Without great wealth a certain sort of exclusiveness is impossible; hence, sooner or later, new wealth—even if the vulgarity of its first possessors debars them for a time—gives to the second or third generation the satisfaction of exclusiveness based on the power to buy what others cannot afford. To be conspicuous, even to do audacious and unconventional things in order to show distinction, is no uncommon trick of those who pose as superiors. The affectation of superiority by those who have little intelligence but great eagerness for social position is often accepted as real when it takes the form of critical condescension to those about them. It is this claim to a counterfeit superiority because of the possession of wealth which has come to be one of the commonest characteristics of a large class of American women of to-day. Without titles and manor-houses, the democratic society of to-day is weakly repeating the history of earlier ages, when privileged classes assumed the marks of distinction based on power. Then it was often based on the power of military force, the law that might makes right; but now it is based on the

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power of wealth, the law that riches makes superiority.

(2) In other words, there has come about an unfortunate shifting of standards, a change in relative emphasis, together with a falling off in ethical ideals. The common passion of the rich women—and it is probably equally true of too many of those who are not rich—is for what she thinks to be social position. I am not so simple-minded as to attempt to define that *ignis fatuus*, “social position.” There is the height from which one level of servants looks down on another; there is the possibly uncultured, select coterie of a country village; there is the equally uncultured and often uninteresting rich coterie of the larger city. No matter what its quality, no matter how its atoms chanced to collect, once its characteristic of solidarity and exclusiveness is realized, then the light-headed, and especially the merely rich, would sacrifice health, ideals, and even ties of relationship and friendship for the bauble which to their minds admits them to the desired circle and sets them apart as socially superior to others. In this pitiful social climbing, in this devastating social rivalry, in which certain requirements have the force of tyrannical

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despotism, and in which character dwindles to unconscious imitation of what is supposed to be "the thing," the quality of many well-to-do women is very plainly deteriorating. Among them conduct, courses of action, personal estimates are not based on conscious reflection, on tests of right and wrong, on a judicial balancing of pros and cons, but almost entirely on what "others will think," that is, on the tyranny of chance opinion in the social set which they value more than their own souls. How many mothers of this class would allow young girls of the coming-out age to snub an immoral young man who was a social leader, and thus cause her to be left out of the usual round of invitations?

(3) Not infrequently a test of social exclusiveness is the willingness of the members in a "set" to be wilfully blind to immoral performances. Indeed, the supposed unwillingness to accept the current code of morals in the set, or not to join in with it, is a reason for exclusion. To speak to outsiders of peccadilloes which are common property within the charmed circle is high treason to the laws of social position. Thus new codes of ethics for women are ever being created, based not on the higher experience of the race, but on the

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chance and loose ideas of self-indulgent persons who happen to be for the time regarded as leaders of society. The relative emphasis has shifted. The principles of a hardy people, by which they have risen to power and influence, are thus exposed, through the weakness of some of its women, to inevitable deterioration. As are our women, so are our men. Tell me the ethical standards of our mothers and daughters and I will tell you in the main the ethical standards of our fathers and sons.

(4) In passing from the old order to the new the well-to-do woman of to-day has come to regard work as demeaning. Many would be chagrined to be caught doing any physical labor in the household, which their mothers before them very likely did as a matter of course. Superiority is now supposed to be evident in the ability to hire the largest retinue of servants, so that all physical exertion is rendered unnecessary as well as demeaning—that is, if it is rendered because of economy or necessity. Idleness has come to be a mark of social eminence. Whether a woman is properly to be included or not in good society is almost decided by the fact that she takes her breakfast and spends her morning in bed. To say

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that work has become demeaning, however, is not to say that fashionable women are not busy or overoccupied. It depends on whether the particular occupation is "the thing." She must not work because of necessity; she may walk in the country, but not in the city when shopping. Or, merely to be audacious, because she is a member of a privileged coterie, she may conspicuously do a task of the working class to prove that her position is impregnable. She may fill her day with attendance on committee meetings or on hospital boards; but it often depends upon who else is on those boards or committees. She would not wish to have her name—that is, if her social position is not yet impregnable, and not infrequently when it is—appear on a board on which there were "nobodies." No matter what the merits of the institution, much depends on whether it has been taken up by the set.

(5) It has sometimes been said that American women are becoming more independent; that the opening of new occupations to women has given them more opportunities to earn income and has freed them from the necessity of marriage. There is no doubt much truth in this as regards the women who work for income as well



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as those who willingly take up the burdens of household tasks—and who may be said to form our large and “sound remnant” and the future hope of society. But the so-called independence of the richer women has its roots, to all appearances, in selfishness. She is independent of restraint because she is unwilling to do anything onerous or disagreeable. Freed from want, freed from exertion, freed from anxiety as to the future, she is in the perilous position of having to follow only her self-indulgences. Her parents, who have known the privations of an earlier time, foolishly wish their daughter to have everything which money can buy. Through a natural but unintelligent fondness there has been created an environment acting to weaken positive fibre and to develop selfishness. Except in a strong inherited helpfulness, altruism has thus a poor soil in which to flourish. In her self-centred life she is shut off from any real knowledge of the great world of poverty and suffering outside her ken. It is pathetic to think of how many women, whose wealth means potential usefulness, spend their time and all their thought in purely selfish absorption in the work of their dressmaker and coiffeur. They become hen-minded and inane

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largely because their lives are engrossingly selfish. They are self-willed and seemingly independent because they are too often regardless of the needs and happiness of others.

(6) Idleness, or the escape from doing difficult or unpleasant things, fails to develop fibre in a grown woman as well as it does in a child. Freedom from disagreeable or enforced tasks—to be removed as soon as they are shown to be disliked—produces spoiled children, as every one knows; but it does not seem to be as well recognized that a continuation of this process in later years produces spoiled grown-up children. So far has the evil of new wealth influenced those who have not learned how to use it that self-indulgence has become a marked characteristic of the well-to-do. Removed from the necessity of self-control as a means of obtaining an income, and having the means of gratifying every whim, their self-control no longer appears except so far as it is necessary to make social conquests or to get a satisfaction for personal vanity. Then self-indulgence leads to the inevitable satiety of usual satisfactions. Dress, houses, silver, and footmen can be bought by all who are rich—and cease to be marks of exclusiveness as the rich increase in numbers. Then

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satiety in obvious things begins to prompt a hunt for new sensations—a state of mind which explains the brief career of a social favorite, the taking up of a winter sensation and its early and complete oblivion, the appeal to the social palate of things having the tang of tainted duck.

(7) In many cases the new wealth has come without the necessary accompaniment of a previous preparation for its use. There are, of course, many noble women, of poor origin but of high character, whom no new riches could injure or corrupt. But, in examples so numerous as often to set the standard, women with raw, uncultivated minds, unable to discriminate between the real and the false, not able to know an impostor because they have never known by contact the real man of cultivation, unable to control vanity by any power of logic or analysis, yet swollen with the conceit born of wealth, have—even when not obviously vulgar—developed a lack of perspective which forms a sad indictment of their early education. Since education is not information or learning, but a point of view, the lack of education appears to be perilously general—if we judge from much of the social outcome. Certainly, if the point of view is common that merit

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is to be measured by what one has rather than by what one is, much of women's education has been woefully imperfect. But in this day of transition in all education it is too easy to score by hitting the insufficiencies of women's education. If much of our education for men is bad, theirs is worse. If we demand on the one hand that a man's education should fit him for the actual life he is to lead, why should not the same demand be made on the other hand for the education of women? So far, a great amount of no education—or bad education—has excited in certain classes of women a crowd of expectations which have led them to regard as necessities things of insubstantial value; but if things are denied them which are wilfully demanded, they develop a hot discontent. The situation thus produced is one which concerns ideals. To be truly educated, to have a right point of view, is to have high ideals. Selfish, self-indulgent lives are directly traceable to low ideals. It is an economic truism that if we change the wants of a people we change the whole character of the production which supplies those wants. It is the point of view which makes the difference between the civilization and industries of the Apaches and those of the old New Englanders.

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(8) Were the desire common to be an agreeable personality rather than to exult in what one has or in what one knows, the extravagance of the day would not be so general or so amazing. The extravagance of many American women is a fairly good test of their point of view, of their ideals. Unfortunately, it too often represents, not merely the satisfaction of the beautiful, but vanity, emulation, self-indulgence, and love of display. In many cases, no doubt, it represents no thought at all, but only a mental flabbiness which accepts, as a matter of course, what is done by the people around them. How great is this extravagance is, perhaps, scarcely realized in a community where extravagance is so nearly universal, and where the cost of living is so generally high, as in this country. But, undoubtedly, much of the situation included under the term "high cost of living" is due to the unrestrained desire to have everything that any neighbor or acquaintance has. Many women are often too shallow to think out the sources from which their extravagances must be supplied or how far they are responsible for the insane passion for riches which now corrupts the good morals of industry and the state. They are not companions to their husbands and fathers, they are kept

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in accepted ignorance of family finances, and permit themselves to play the rôle of well-dressed dolls—for which they must share the responsibility with the men.

### V

We may be too close to the events to perceive the true causes at work; and perhaps we may not sufficiently discriminate between the evil and the good sides of the transitional movement now before our eyes. We realize, however, that American men are quite too good-natured and leave American women too much to themselves with an unlimited purse; otherwise we should not see the startling things done by audacious women, living in Paris, while their providers are absorbed in their business ventures at home. Moreover, life has become much more complicated and distracting; so many more things have to be known, considered, decided upon, that the unbalanced, untrained mind reels in confusion, and neurasthenia gathers in its legion of victims. With the confidence of uneducated minds almost any important problem is attacked, only to display amazing crudity, shallowness, and inanity. There is, to be sure, a greater rush for education,

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but it is a question whether it is accompanied by a gain of ideals. The new education is sought for by the rich woman, much as is modern marriage, as a means of self-satisfaction, and not as a means of benefiting others; by some as a means of income in order to get larger personal satisfactions; from a desire to receive, not from a desire to give; considering not what one can bring to the world, but what one can get out of it. That is, there may be more education, but it is possible that it has come with lower ideals of duty to others. This matter of drooping ideals, however, may be only a consequence of another sweeping current of change moving alongside the swelling tide of riches—the diminishing strength of religion. There is no use shutting our eyes to it; it is here. Religious dogma no longer has the old influence upon our conduct—and many of us, looking to the future, are wondering what is coming to take its place. In many communities the churches are kept alive mainly by the women. If they are to find the sanctions of religion less than of old, what have we with which to replace the influence they have exercised in the past?

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### VI

Whether we like them or not we must face the facts about us. The characteristics of the modern type of rich women have changed from those of an earlier generation; and the consequences which are already noticeable cannot be blinked.

The so-called independence of womenkind—the greater individuality it may be—shows its undesirable side in a wide-spread self-indulgence and selfishness. Among the richer classes, the general unwillingness to do, or even to hear of, anything unpleasant is so marked as to be a common characteristic. This phenomenon of to-day, however, is only the explanation of a well-known economic generalization in regard to the family. It has long been observed that the birth-rate diminishes as the scale of riches rises. With the growth of wealth, we must be prepared to expect—what is now evident about us—fewer children and a weakening of family ties. As much as possible, nothing will be allowed to interfere with the pursuit of personal gratifications.

The growth of selfishness, under the name of greater freedom, the avoidance of tasks and hardships, the desire for new and frequent excite-



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ments, the personal delight in notoriety have in undue measure drawn the attention of such women away from the care of their children. But whatever the cause, the conscientious supervision of the morals and training of their children is not to-day what it used to be. The case is too common to be rare of the woman who makes serious sacrifices if she may but strut her brief hour in those houses where society gluts her passion for recognition. The sacrifices in order to have sufficiently expensive dresses, the worries and extravagance to keep up with those who are richer, the conscienceless living beyond their means to satisfy the craving for social excitement are seen and known by the children; and the children early become snobs and unconsciously imitate the standards and ideals of their elders. Thus is the poison transmitted into the blood of the next generation.

It is safe to say that the spread of divorce is due more than anything else to the personal selfishness, the personal extravagance, and the personal aversion to anything unpleasant of the modern woman of the world. And her example is of influence on the less well-to-do woman whose unhappy married life is unrelieved by the distractions open to the rich. In the main, the unre-

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strained selfishness and the exaggerated extravagance leads many a rich woman to ask: "What am I getting out of it?"—not "What am I bringing to it?" The willingness to control self from a sense of duty, a steady performance of tasks for the sake of a given object, the ability to sacrifice some satisfactions for the common good, to be content with a limited income are rarer than they once were. At the bottom it is the domination of the rising selfishness.

The forms taken by this selfishness are protean; but the one which has a large economic significance is that of national extravagance. Not having had to do with the winning but only with the spending of wealth, the rich woman is more or less responsible for the criminal lust for riches which is now cursing the nation. More than she can possibly realize, her discontent at not having an expenditure equal to that of others richer than herself is the cause of the passion to get rich quickly. More than she knows, she is at the bottom of speculation and of the schemes for getting wealth other than by saving in order that men may be able to gratify her demands. It has been said that in Europe the man preys on the woman; that in this country the woman preys

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on the man. More than she knows, she is responsible for the wide-spread disposition to live beyond one's means; for the mortgages on the homes, the showy automobiles, and the extravagant dresses and entertainments which aim to express social superiority. It has not passed unnoticed that diamonds to the value of \$48,000,000 were imported into the United States in one year. Traced to its ultimate analysis, the uncontrolled passion for pleasure and expensive forms of gratification has caused a living beyond our means in recent years and influenced the extraordinary tendency before the war for imports to exceed exports of merchandise. For this our rich and our would-be-rich women are in a degree responsible. With low ideals, additional income does not mean more of higher satisfactions; it means only more foolish, emulative, showy expenditures; and in this competition—as in the building of battle-ships—there is no place to stop. An increase of salaries to academic men, for instance, does not necessarily mean more thinking, more scholarship, more books, and more aids to learning; it may possibly mean only longer ostrich feathers and wider hats for women who think they must compete with the idle rich.

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### VII

It is obvious that any person—man or woman—who has had little experience of the sacrifices by which wealth is accumulated is open to the temptation of careless or wanton expenditure. Due to the very fact that women as a whole have had little to do with the work of production and exchange of wealth, and have received their means largely from those who have been seasoned in that work, it is but natural that riches should have been the cause of more or less deterioration in the fibre of many women. Idle sons who have inherited great wealth often show the same weaknesses. Hence the indictment runs directly against a large class of American women to whom it has been given to spend swollen incomes.

On the other hand, we recognize instinctively the existence of a numerous class of women—the “sound remnant”—against whom this indictment does not lie. Possibly it may be answered that those who are not rich have remained uncorrupted. Unfortunately, such a statement cannot be made safely. The danger is not confined to those who have the means to spend. The passion for social position is almost universal; and the

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example of the rich who have low ideals is hungrily followed by many of those who have low incomes. It is the deteriorating example of those who guide the expenditure of the rich women that is spreading widely and thoughtlessly over the great class outside the well-to-do. The danger lies in the increasing adoption of habits, social customs, and expenditure based on low ideals—which attracts the weaker and poorer members of the sex who are most influenced by emulation. What is going on amongst us is not new; it is an outcome of rapidly growing wealth, like that in later Rome, or in England when Thackeray wrote. It is no reason why we should despair of the republic; but it is a grave reason for sounding the alarm and calling for higher social ideals.

The remedy is not in any external form of government, not in legislation, not in woman-suffrage. There will be no change for the better except in a change of ideals—higher ideals and a more general diffusion of them. There are women—many of them—who feel the sobering responsibility of the power given by riches and who think carefully of the effect of their example on others; but they do not now seem to be in the majority. We all know the familiar type: the

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woman of some beauty and personal charm who sold herself in marriage to a rich man, in order that during his life, and above all after his death, she might have the spending of untold sums—not to better the world, but to gratify her pride and her social ambition. If all that wealth were taken away from her—the sleek, petted favorite of society—the chief damage would be hurt vanity; there would be no loss to the world, no diminution of any helpful force in the community. On the other hand, we also know the type—a rarer one—of the woman to whom a husband had left large wealth, whose pleasure is not in self-indulgence, but whose wisdom and sympathy in giving is such that the power of her riches is multiplied an hundredfold and whose unselfish life is a benediction to every one who is privileged to know her. But such as she are relatively few in number. The regeneration of the ideals of society is, unfortunately, not likely to come from the well-to-do; it is rather necessary to plan and to build in spite of the low ideals of many of the undisciplined, pleasure-loving rich. Doubtless our only hope is from the greater number of those women who have had the privilege and blessing of limited incomes and who have known the discipline due

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to a life of self-sacrifice and self-control. As yet the human race seems to be unable to keep its virility when given unlimited satisfactions. Fortunately, riches are not universal, and the mass of mankind are under the spur of necessity to high thinking because it is essential to their material existence. Fortunately, also, it lies in the power of each woman to decide for herself whether she will be weakly swept along by the prevailing current of self-indulgence or whether she will rise to the responsibility of setting higher the ethical standards of our social life. Those who make a poor use of the great power of wealth are relatively few, but their influence is relatively great; yet the right-minded women, who constitute the great majority of their sex, have it in their power to minimize the abuses of wealth-power by the counteracting force of a scornful public opinion.

## CHAPTER IX

### MONOPOLY OF LABOR

#### I

**E**CONOMIC problems startle us by rising out of familiar conditions into portentous shapes and finding us at once disturbed and unprepared. Our economic development seems to have gone on more rapidly than our economic education; more rapidly than our capacity to analyze conditions, indicate causes, and prescribe remedies. Then, too, our impatient and highly individualistic democracy rushes quickly to conclusions without much caution and deliberation. Change is in the air; action is quick and thought is slow. Discontent acts first and thinks afterward. Perhaps, however, that is the usual law of progress in a democracy.

In matters touching the working man, organization has been regarded as the necessary means to progress, and there is little doubt that intelligent organization is the only instrument through which



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important ends can be accomplished. It is a serious mistake, however, to use organization as a means to create "class consciousness," to form antagonisms where there should be none. In the industrial world, all are laborers, from the shoveller to the manager; labor is not only physical effort: some of the most exhausting work in the world is mental and not manual. A high-salaried expert is as much a member of the laboring class as a manual laborer. Very little reflection, therefore, is needed to realize that patronizing talk about "the laboring classes" is extremely shallow.

Without doubt, the real cleavage is between the rich and the poor. It is the inability of the rich to understand the poor—and the inability of the poor to understand the rich—that is the root of all industrial conflict. We need, therefore, to appeal for more sympathy and mutual understanding. "The laborer is worthy of his hire." Those who bear the burden and the heat of the day deserve the consideration due to the vital forces underlying our great economic prosperity and our future progress. Those of us who have often seen the day when it was uncertain where the next meal would come from know what "the struggle for existence" means; the sense of isola-

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tion in the face of the great powerful forces of the successful world; to be poor and yet to wander through miles of streets filled with opulent homes; to see absolutely no bridge crossing the seemingly impassable gap from ignorance and poverty to intelligence and wealth; to begin to feel as if one were in an inferior class whose interests were all arrayed in hostility against those who possess the comforts and luxuries of life; and then to develop somewhat of the bitterness of those who have not against those who have. It is difficult to see all sides of a case when one is "down and out"; it is human to think that the lack of success is not in ourselves but in others, not in the want of common sense, industry, sobriety, and skill, but in the greed and mercilessness of those who care only for the value of the service rendered.

To-day, in this country of new opportunity, we know there are legions who have started with nothing and yet who have with honor accumulated a competence. That has been done. Yet everywhere about us there are those who have not succeeded—who feel dumb, hopeless, discouraged—but who do not like to accept the inevitable lifelong conditions of depressing, grinding

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poverty. Therefore, when we attempt to discuss the ways by which the laborer may escape from his poverty (or even the ways by which the man who already has something may improve his condition) we ought to be willing to take into account all sides of the question, to be sympathetic with failure, but to be as just as the surgeon who cuts out the cause of the disease.

### II

In the most commonplace things of every-day life we find the stuff on which to test our reasoning about life, our theories as to success and failure, our plans to improve the conditions of existence. To-day the ugly thing which hits us in the face wherever we turn is the high cost of living. The way we handle that problem is a fair test of ourselves, of our insight, our experience, our breadth of view, our capacity for fairness and impartial examination, and our freedom from prejudice and emotion.

Viewed from the position of those who have a very limited income—and those are the ones who most concern us; for the well-to-do can generally look out for themselves—the steady rise in the prices of nearly every article of daily consumption

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is a very serious thing. It is like the contracting walls of a prison closing in on its victims. Either the walls must stop contracting or the inmates must be able to get out. Which is it likely to be?

The first indisputable fact we find in the struggle of the poorer classes to better their condition is that, while money wages have risen, prices have risen correspondingly; that the higher wages purchase very little, if any, more than they did before. Consequently, no sooner has an increase of wages been obtained by the hardest kind of effort and struggle than the demand for another wage increase becomes as necessary as it ever did before, because increasing prices have again cut into the margin of subsistence. What are we going to do about it? If wages were to increase from \$2 to \$200 per day, and prices to increase one hundred times, wherein should we be better off?

### III

The economists of the labor unions—we say “economists,” for, whether trained or not, they are in fact applying their minds to one of the most difficult of all economic problems, namely, the causes determining wages—have very emphatically announced one particular solution of this

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question of wages and cost of living. They have declared with all the reasoning they possess, enforced by the power of their unions, that the solution of this vital question for them is to be found in the "Monopoly of Labor." They have taken a leaf out of the past history of industry, and from that have assumed their principle of economics to be the fixing of the prices of labor by control over the supply. And why not? Have not the great combinations in many staple articles of general consumption attempted to fix, or even succeeded in fixing, prices by a control over the supply? Is not sauce for the goose also sauce for the gander? If the employers resort to the theory of monopoly, why should not the laborers?

The unions have a definite objective: to increase wages (not merely money wages, but real wages); that is, to get more reward for the same effort per hour or per day, or to get the same wages for a less number of hours; and to better the sanitary and hazardous conditions of work.

Such being the working man's objective, and "monopoly of labor" being the means adopted to secure that end, we must calmly inquire as to whether or not it will work. Indeed, it is more to the interest of the laborer than any one else

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to have tested the practicability of this method, which is, in fact, the generally accepted method of working men's organizations. In the long run nothing can succeed which is untrue. If a doctrine is futile, sooner or later it must be abandoned, even by a labor union.

In the first place, this country has declared itself against monopoly, or practises in restraint of competition. As against producers, the Sherman Anti-Trust Law has been invoked in a way to draw the attention of every one. Quite independently of the merits of the act, it is now on the statute books. In any democratic society the law must have no favorites: it cannot be applied to the poor and not to the rich; nor can it be applied to one combination and not to another. All must be equal before the law. Labor leaders seem to understand that their theory of monopoly is exposed to the penalties of the Anti-Trust Law. It is to be assumed that this statement has been established by the Danbury Hatters' case. Indeed, in the closing hours of a recent Congress (February, 1913) vain attempts were made to except labor unions from the act which forbids monopoly; and in the Sundry Civil Appropriation Bill of the extra session of Congress (1913), finally signed by

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President Wilson, the same question arose. Without doubt the American people have determined to prevent monopoly wherever the federal law can reach it. How, then, can a doctrine of the monopoly of labor continue to exist in the face of definite statutory prohibition? Any law which would except labor unions, in case they violate it, from the provisions of the act would be unconstitutional and could not stand. There is evidently no escape in this direction.

It is childish to assume that raising such a question indicates any hostility to labor unions. Quite the contrary: one would be an enemy of labor who would suggest a road up which it should laboriously climb for years only to find out at the end that the way was absolutely closed to passage. It is high time to inquire who are the true friends of labor: those who are exploiting the economic ignorance of laborers for selfish or political purposes or those who would like to help them to a means of permanent improvement and independence?

### IV

If, then, monopoly of labor is contrary to the law, what is the remedy? Is the law wrong, and

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should it be repealed? Shall we grant unregulated monopoly to big combinations of capital as well as to big combinations of labor? Both must be equal before the law. Is the law economically unjustified? A word or two may not be amiss in a brief analysis of monopoly as applied to labor.

Monopoly means the control of the supply in a given market. Monopoly is like the wall about an enclosure with no gate in it open to the public. Monopoly excludes competition. Competition is like a gate through the wall by which the public have free access. Competition is the free entrance of goods or of any of the factors of production (such as labor, capital, managerial ability) into any market. There is nothing complex about it. A monopoly of labor is a control of the supply of any kind of labor at any point of demand. Free competition of labor is the ability of any man to enter the market for employment on equal terms with any other man.

Monopoly assumes different forms. A "strict monopoly" exists if some authority has control of the whole supply in the market. We very seldom find a "strict monopoly." The wall must be so high and so tight that none can enter over or through it; those inside have no competition.



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But only by the control of the whole supply can the price to the buyer be finally fixed. If the wall be low, or broken in spots, more or less entrance is afforded to others; and so more or less control over price is wanting. In the case of labor it is very rare to find any such control over supply as gives a complete monopoly, for the reason that unions do not include all men of a certain trade, or those who may enter the occupation by a short period of training, or the supply which may come from another part of the country, or from foreign countries. It is stated in general that unionized labor comprises less than 10 per cent. of the total number of persons engaged in gainful occupations in the United States. Without question, therefore, it may be assumed that unions do not have a "strict monopoly," and cannot control the rates of wages, where more or less competition exists. This general conclusion jumps with the well-known fact that strikes are usually accompanied by violence exerted to prevent competitors from taking the places of the strikers. In fact, the inability to control the supply and gain the practical effects of monopoly is the very reason why in some cases terrorizing methods and dynamite have been resorted to. A "closed shop" is itself evidence of

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the inability of a union to control the supply of its labor and so fix prices.

The existence of monopoly may be ascribed either to artificial or natural causes. An "artificial monopoly" is a control of supply due to exceptional privileges, such as special legislation, patent or copyright laws; or to undue influence, duress, unfair discriminations, unjust treatment, and the like. That is, the kind of monopoly which has excited universal disapprobation is the one founded on unjust suppression of competition and forcible ways of driving out competitors. Recent trust decisions have been based on that claim. Whatever objections exist to monopoly have peculiar urgency against these forms of "artificial monopoly," although it must be remembered that certain kinds even of "artificial monopoly" may be justified on the ground of some desirability to the state, such as a business artificially created by a patent or a copyright. But, as a whole, a monopoly due to special privilege, or to unfair or forcible suppression of competition, cannot for a moment hope for support from a fair-minded people like ours. Such a monopoly is to-day illegal; and the law seems to be good legislation. Since a control of labor by unions is an "artificial mo-

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nopoly," not based on any natural causes (such as skill, intellect, and so forth), it has come under the penalties of the law whenever it has attempted to baffle competition of labor.

Finally, there is "natural monopoly," due to superiority of a personal or physical character.<sup>1</sup> Under purely competitive conditions, where all have an equal opportunity, the superior person will surpass his inferiors in the industrial world; he will labor, or do business, more efficiently and cheaply and drive out the inferior rival. A "natural monopoly" is based on the admitted inequality of mankind; it is the inevitable expression of superiority in the field of open competition. For instance, although there was open competition in the law, Daniel Webster occupied almost a monopoly position because he had few rivals. Likewise, a winner of an international marathon race is such by virtue of a natural monopoly. So, too, there may be a class of laborers who have won a monopoly position because of the possession of exceptional skill and personal worthiness. This is the only kind of a monopoly

<sup>1</sup> Being here concerned with persons, we need not discuss monopoly due to possession of natural resources, such as anthracite coal-beds and the like.

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which is legal and whose position is likely to be permanent.

If there is free competition, the superior man will always outstrip the inferior; he will do the lion's share of business because of a monopoly due to natural ability. Hence, whenever conditions are equal for all, we must expect to find monopoly—natural, not artificial. This is the law of nature. In fact, the labor world itself is full of monopolistic conditions: there are non-competing strata of workmen superimposed one above the other—from the unskilled hod-man to the skilled engineer of the Panama Canal—between whom there is no competition for the same kind of employment. Natural monopoly is everywhere; skill gives monopoly and freedom from the competition of those who lack skill. So also brains give monopoly. In fact, monopoly is unescapable—so long as men are born unequal in body and mind. When President Wilson, in his Chicago address, said there must be “no features of monopoly,” he undoubtedly meant no features of unjust “artificial monopoly”; for natural monopoly exists everywhere.

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### V

Since, then, the fundamental economic principle on which labor unions are based is the monopoly of the supply of labor; since a strict monopoly and control of wages by a control over the whole supply is practically impossible; since monopoly of labor and exclusion of any man from a free chance to compete is already contrary to the laws of the land, some doubt has been cast on the wisdom and efficacy of the principle of monopoly of labor as a means of improving the conditions of life for working men. It now remains to examine whether, from a purely economic point of view, higher wages, forced by the principle of monopoly as applied by labor unions, will really add to their consuming power and bring about the ends they have in mind.

If a shoemaker had to pay more for leather, he would undoubtedly charge more for his shoes, *cæteris paribus*. If an increased tax were levied on imported sugar or coffee, the price would be raised accordingly and the burden of the tax passed on to the consumer. In short, it is an economic commonplace (for goods freely reproducible) that an increase of any of the items entering into a pro-

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ducer's expenses of production will cause an increase in the price paid by the public for that producer's goods. When the wages of the miners in the anthracite coal mines were increased, the price of coal per ton to the consumer was correspondingly raised. The public, not the employers, paid the higher wages.

Wages are evidently an important constituent in the expenses of producing most staple articles. An increase of wages paid for the *same time and same skill* of laborers will raise the prices of the goods they are working on just as surely as will an increase of taxes or of the cost of materials. Reduce taxes, and by so much the expenses of production and prices to the public will fall—or ought to fall. Reduce the tariff—taxes on clothing, etcetera—and by so much prices and cost of living should be reduced.

Now, as a matter of cold fact, how has the working man fared with this method of raising wages in recent years? In the principal manufacturing and mechanical industries, leaving out salaried employees, in the ten years from 1897-1907 (according to the index number of the Bureau of Labor) wages had risen from 99.2 to 122.4, or 23 per cent., while retail prices for food had increased

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from 96.3 to 120.6 or 25.5 per cent. That is, the purchasing power of wages over food fell 2.5 per cent. during that period of unusual expansion of business. In short, the whole effect of the wage-increase had been nullified by the rise in the prices of food usually consumed in the family budget.

After all the bad blood stirred up in some twenty years the unions have accomplished practically nothing toward raising their power of consumption as regards food. Obviously, something is very far wrong with the principle on which they are operating. They have climbed this hard, up-hill road for decades only to find no passage through at the end. Economically, the principle of monopoly of labor does not work in favor of the laborer. Why? It is very important that, in their own interest, they should know the reason why.

### VI

From the purely economic point of view the reason is simple. An increase of wages paid for the *same productive effort* increases the expenses of production and the price of the product; an increase in prices of articles consumed by the laborer reduces the real wages of the laborer as much as, if not more than, the increase in money wages.

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He is just where he was before, without any gain for his pains. In an industry producing an article of general use (supposing entirely free competition), an increase of expenses of production due to an increase of money wages paid for the same effort will be followed by a compensating increase of prices to the consumer; and the laborer is a consumer. Of course, if competition is not free, and monopolistic conditions of production exist, prices might go still higher. This increase of price, mark you, is not under the control of the labor unions. Even if they could control wages, they could not control the prices of the articles they consume. If the laborer, standing in a rising tide of water, succeeds in raising the platform under him by a foot, and if the water then rises about his head by another foot, he is just as near drowning as before.

There is no question whatever in my mind that the rise of prices of almost all articles of general consumption during the last decade or two has been due, as much as to any one thing else, to the rise in money wages paid for the same, or even less, labor effort.<sup>1</sup> Moreover, the effect is cumu-

<sup>1</sup> It is not an answer to say that the rise of prices is due to an increased production of gold, because a change on the



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lative. In the expenses of producing raw materials such as coal, ore, wool, and the like, into whose processes labor enters more largely than machinery, the general rise of wages raises out of all proportion the prices of materials from which finished goods are made. In 1905 the total value of manufactured products in the United States was \$14,802 millions, of which wages made up 18 per cent. and materials 60 per cent. Thus the increasing costs of wages and materials together unite in pushing up the prices of goods.

Take the prices of food and agricultural produce, for example. We have been seeing a silent, irresistible revolution going on in American agriculture. The movement from the farm to the city has been marked in all countries and has made labor scarce and high-priced on the farm. The great rise in the price of farm lands has in-

side of money should affect all commodities alike, while the movement of prices is very irregular. Moreover, the quantity theory of money on which this answer depends is not generally accepted. Of course, other elements than wages enter into expenses of production and have an influence on price.

In cases of scarcity raw materials may rise, irrespective of wages. Also a great rise of wages may be prevented from raising prices *pro tanto* by compensating improvements or cheapening processes introduced by the producers.

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creased the investment needed for growing food products. Men will stay on the farm only when they receive as high wages as they can get in the city and when they receive as high a return on the capital invested. If farmers charged up to expenses of production the interest, at 5 per cent., on the price of land, buildings, and improvements, and added reasonable wages for the labor of themselves and the members of the family, such as they might get in the city, it would be found in most cases that even the present high prices of vegetables, eggs, and butter would not cover the expenses of production. They go on practically without systematic book-keeping, not counting their labor and glad to earn a living.

Wealth gained in agriculture in the last few decades has not come, in the main, from growing crops but from the enormous rise in the value of land. When labor is accounted for in agriculture as fully as in manufactures, agricultural products are sure to hold a higher price relatively to manufactured goods, because machinery can be used in the latter to reduce somewhat the tendency of the labor cost to rise. Increase in farm wages, and hence in the expenses of production, is increasing the prices of all farm products.

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The true bearing of the labor situation cannot be mistaken. The unions are enforcing the theory of monopoly of labor as a means of raising their wages and improving their condition. They may raise their wages, but they do not raise their condition. The monopoly created is an "artificial" one, maintained by violence or by unfair restriction of competition, which is clearly illegal; the increase of wages thus obtained, without an increase in the efficiency of production, inevitably carries with it an increase in the expenses of production and of prices, which automatically reduces the purchasing power of the higher wages to the old level. There is no hope for this principle either in law or economics. It does not work in the interests of labor.

There are two sets of forces in action, independent of each other. On the one hand, wages are to be raised; on the other, prices are to be raised. These two sets of forces are not under common control. The one nullifies the other. Now, what is the remedy? Nothing under heaven but the bringing of the two into some co-operation for the gain of both. It is of no advantage to the producer to raise prices *per se*, since with proportionally higher expenses of production he would make

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practically no greater profits by the higher prices than he did before. It is of no advantage to the laborer to raise wages *per se*, since with higher money wages he can buy no more than he did before. The result, being no gain either to the producer or to the laborer, yet creates an impossible situation for the general consuming public by the steady rise in the cost of living.

The monopoly-of-labor principle has not much more to its credit than antagonisms. The case against it legally, economically, and morally is overwhelming. And yet in a recent contest over the immigration bill in Congress the labor unions wished to apply the literacy tests to immigrants in order to prevent an increase in the supply of labor. Economically speaking, this is Darkest Africa.

### VII

The remedy can be found only in the co-operation of both laborers and producers, to the end that real wages may be raised without the increase of prices by the producer. This is not impossible; but it means a complete reversal, from the principle of the "artificial monopoly" of the labor unions, to the principle of the "natural monopoly"

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of labor. This is the solution in a nutshell.<sup>1</sup> What does that mean? "Natural monopoly," as regards labor, is based on superiority due to skill and personal worth working under conditions of entirely free and unrestricted competition. Under competitive conditions the more productive labor will obtain the higher wages; and labor that is more productive does not, when it receives higher wages, increase the expenses of production or cause higher prices. The laborer who works in co-operation with the efforts of the producer to increase production, say from 80 to 100 units, with the same outlay, can have his wages increased 20 per cent. and yet leave 5 per cent. of new gain to the producer—without any increase of prices. In short, higher money wages may go—and frequently have so gone in the history of industry—with a fall of prices. Thus laborers would gain doubly, not only by the higher money wages, but by the greater purchasing power of those wages. This is a very different outcome from that due to the "artificial monopoly" of labor. Moreover, it is democratic, legal, moral, and economically sound.

But, says the objector, the laborer who is un-

<sup>1</sup> Cf. *supra*, chapter I.

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sophisticated enough to follow this advice will not obtain from grasping individual employers the higher wages due to increased efficiency. Then organize and get it. Organization of labor is of vital importance. There is no objection to the union as a form of organization; but there is objection to the wrong use of the union. The principle of "artificial monopoly" of labor may be all wrong, but the principle of organizing labor in a union may be all right.<sup>1</sup> A heavy walking-stick may be wrongly used in knocking down and robbing victims; but it may be well used in protecting the owner from footpads. If admission to a union were based on efficiency tests, and its members held a natural monopoly due to superior skill, those outside the union could not compete with them; and there would be no more need for the "closed shop," or for dynamite.

### VIII

The hysterical agitation for a minimum wage (to-day urged chiefly for women) has in it no conception of a relation between wages and produc-

<sup>1</sup> It is incorrect to represent me as opposed to collective bargaining, as was done by John Mitchell, *Atlantic Monthly*, February, 1914, p. 162.

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ing power. It is unsound for several reasons which touch the very interests of the laborers themselves.

It introduces a new and unjustifiable basis of wages—that wages shall be paid on the basis of what it costs the recipient to live. If it is urged, for instance, that a woman cannot live on \$5.00 a week, but can live on \$8.00, and hence her minimum wage should be \$8.00, the whole case has not been considered. If we accept—what we should not accept—the principle that wages should be related to the cost of living, and if it is accepted that the woman could live on \$8.00 a week, on what grounds should she ever receive more than \$8.00 a week? On what grounds could any one get \$18.00 a week? At present \$18.00 is paid on the ground that it is earned, that is, on the basis of a relation between wages and producing power. No other basis can stand for a moment in the actual work of industry. Men go into business to gain profit; if, in their opinion, the employee is not worth \$8.00 a week, she will not be retained, no matter what it costs to live. If she is worth to the business \$18.00 that will be the wage. No law can force any one to remain in a business that does not pay.

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The theory of a minimum wage based on the cost of living is flatly inconsistent with the facts of daily life and preparation for any occupation. At what age or point is a beginner, or apprentice, to receive the full legal wage? Is no boy, or apprentice, to be allowed to receive a partial reward till he is a full-fledged adult workman? How about the woman who, in the economic rôle of domestic labor, knits stockings in odd hours in order to add a little to the family income—shall she receive nothing if not the full legal wage? Shall the boy, or even a young lawyer just entering an office, be forbidden to receive the small stipend of the preparatory period?

Suppose it were required by law to pay shop-girls \$8.00 a week instead of \$5.00, on the ground that the insufficient \$5.00 leads to vice; then, since no ordinary business would pay \$8.00 unless it were earned, those who did not earn \$8.00 would inevitably be dropped from employment without even the help of \$5.00 to save them. If \$5.00 is no protection from vice, how much less is no wages at all? This proposal of a minimum wage is directly opposed in practice to the very self-interest of the girls themselves.

It is crass to try to remedy wages which are



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admittedly too low by fixing a legal minimum wage, which can never be enforced unless private business establishments are to be regarded as state institutions. In a state factory, wages may possibly be determined by law, but not in open competitive business conditions, where the supply of labor has as much influence on wages as the demand. If the supply of women wage-earners converges on only certain kinds of work, wages will be lowered by the very large supply of the workers. There is no exit by this door of legal enactment as to the amount of wages.

The true and immediate remedy is the creation of ready means by which the industrial capacity of the wage-earning women will be increased. The wrong situation—of which low wages, possible starvation, and the temptation to vice are only symptoms—is due primarily to the fact that women thrown on their own resources know no trade and crowd each other in the market for unskilled labor. The remedy lies in the creation of places of instruction where any woman (no matter how poor) shall be taught a trade and have skill given her by which she can obtain a living wage. The remedy lies in preventing a congestion of unskilled feminine labor by industrial educa-

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tion. There is no other rational or permanent or human way out of the present wretched situation, if we have the real interest of the workers at heart—and are not interested chiefly in getting some cheap political notoriety.

This conclusion applies to men as well as to women. Is not a skilled carpenter worth more than a blunderer? In any business, does not every one agree that it is fair to give a very energetic, live, active, skilful salesman more than a stupid? If he is skilled he earns more because he brings in more business. That being settled, we do not fix his wages on what it costs him to live. He has a right to spend his income as he pleases. Hence, if we were to adopt the theory of the minimum wage we should be adopting a new theory of wages, which would justify the refusal to pay higher wages based on efficiency.

We find unions basing action on adherence to the law of "artificial monopoly" of labor. It never has worked rightly, it never can work rightly, for the true interests of labor. Finding difficulties always ahead, the loyal unionists fight the harder; implicitly believing that their principles must be right, they begin to create a code of ethics which places loyalty to the union above

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loyalty to the state. That mere fact ought to cause reflection. Is it possible that the whole development of liberty under constitutionalism for centuries has been a mistake and that only the recent theories of unions are worthy of obedience? It would be wiser to study further and see if the progress of labor upward may not be consonant with the progress of liberty under law. Direct conflict with the state can have but one result for unions. To force the false theory of "artificial monopoly" of labor against the bulwarks of civilized society would be like sending a derailed locomotive at full speed down a crowded city street: it may destroy and maim others, but the end is ruin for the engine.

I once heard Phillips Brooks urge in a sermon that "a man does not have a right to all his rights," legal or moral. He may be able to enforce them if he wishes; but, as human nature goes, it is better not to expect the last scrap of what is due. It is good for the successful man to feel that he has a large responsibility to the less successful. Those who are climbing up without looking around would do well to take in the world about them, and their relations to others, as they begin to reach the top. It is they who should do the most

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to assuage the bitterness of unsuccess, no matter if discontent is unreasoning. It is they who must temper the wind to the shorn lamb in the great world of industry. Men do not want charity. The task is to create conditions where men by self-help can work out their own salvation and make charity unnecessary.

The key to the problem so far as it concerns labor is the principle of superiority due to "natural monopoly." The only real permanent aid to low wages is to increase the productivity and skill of the persons at the bottom. Instead of talking of such injurious palliatives as minimum wages, create institutions at once where those persons can be given a trade or training for a gainful occupation. The cry for a minimum wage is evidence of the industrial incapacity, the lack of producing power, in masses of our people. The concrete ways of increasing the productive power of each man and woman are not unknown. Moreover, the captain of industry who does not "have a right to all his rights" can introduce into his shops carefully worked-out plans for helping his operatives to rise in life; to better conditions by welfare work; to encourage savings and thrift; to introduce the stimulus of profit-sharing; and, above

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all, establish civil-service methods devised to pick out and promote the promising youth so that the path from the bottom to the top is open to every employee. Under unrestricted competition there will be seen the inevitable results of "natural monopoly" by which superiority comes to its own and wages are in some proportion to productive power. Thus organization may be used to forward merit; and our individualistic democracy may found its material development on the satisfactory basis of correct economic principles.

## CHAPTER X

### CAPITALISM AND SOCIAL DISCONTENT

#### I

**I**N these days when capital is being destroyed on an enormous scale in the European war, some fundamental ideas are gaining recognition by the mere logic of events which in the piping times of peace would have taken great pedagogical effort and much time to enforce. It is assumed as a matter of course that this frightful diversion of capital from the normal industries of a country to the making of munitions of war and to the maintenance of soldiers—the whole of whose operations leave no wealth in the place of that consumed—is removing countless men from peaceful industrial employment. Unconsciously, the upheaval of industry in the belligerent countries is tied up in every one's mind with speculations as to the diminution in the supply of capital now and in the immediate future after the end of the war. Will the rate of interest go up? Upon

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whom will the burden of taxation fall to support the great national debts? From what source will South America and other undeveloped lands now gain the supplies of capital upon which they have depended in the past for their normal growth? Europe is now destroying capital. Will it be able to provide it out of new supplies to needy countries as before? Are not the industries and the working forces of the world in for contraction until the losses of capital are again made up? And yet these industrial forces are everywhere joining in the support of the abnormal national egotisms, which demand satisfaction to their "honor" by gigantic destruction of capital in the deadlocks of war, killing off the pick of the labor force, creating domestic sorrow in every household, and checking employment for the future. The fundamental problems for the laboring men, however, will not only remain, but their pressing importance will be intensified by all that is happening in the war.

### II

In facing the nature and functions of capital, we are also obliged to face the ideas lying back of the term "capitalism"; to realize that for good or

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for ill a feeling of antagonism has grown up between employers and employed in bargaining about wages; to note that an opposition of interests has been formulated in the phrase of "a warfare between capital and labor"; and to understand that, as a consequence, a class consciousness has been developed and encouraged as a means of emphasizing the claims of the employed against those of the employers. All these concepts are strongly rooted, and they are watered and tended by eager enthusiasm and sincere conviction on the part of legions of our people. In some way the belief has won a wide support that the empty-handed young workman is, and must remain, outside the sacred precincts of industrial success because he is denied the hope and possession of capital. Or, as it was expressed by an intelligent student: "What hope is there, under the present industrial system, for the disfranchised classes?" No doubt, the supposition that the laboring force is practically cut off from the possession and advantages of capital is the basis for the fundamental tenet of socialism that the state should control all capitalistic instruments of production in the common interest.

In primitive, tribal society (there never having



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been, in fact, any Crusoe economy) men faced nature, in the struggle to obtain satisfaction for primary wants, with few but the simplest forms of capital to add to the efficiency of labor. The two elemental factors of production were men and the resources of nature. There was that, however, in the make-up of man which constantly set a premium on devising means and implements to increase his power over nature. Moreover, there was that in the very constitution of nature which ever yielded to productive effort a surplus over maintenance and outlay which afforded a margin for saving. Thus there were brought into existence various and new forms of capital used to aid in increasing the products needed by man. Capital sprang out of the mental and psychic powers of man. Out of the devising and inventive mind of man the state of the arts began to change; and out of the psychic processes by which a future gain proved greater than a present indulgence capital came into existence by saving and was able to turn itself into constantly more and more efficient instruments as the arts and civilization developed and thus became the ally of man against nature. In fact, only as both science and capital grew were men able to ob-

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tain increasing satisfactions. Hence, the volume of production gave a fairly good register of the efficiency of labor and capital in the conquest over nature.

The evolution of capitalistic forms has gone on since early times almost in geometrical progression, until we have reached the amazing variety and efficiency of those of the present day. Since capital economized the effort of man (as in the case of a lever, or a bullock cart) it left him more time free to work on still more effective instruments, thus in later periods enormously increasing his former power. Moreover, as this process enlarged the margin above his primary wants it allowed him either (1) more consumption, or (2) more goods than before to be stored up for accumulating power over future and distant ends. Here at once came a test of men's character in choosing between the desire for present consumption (without a productive return) and abstention for a future gain. In a time of only rude forms of primitive capital the surplus left for savings was but small; and, in addition, the prevailing violence of the times gave little security to what was saved. But capital grew more rapidly as capitalistic forms increased. It

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is sometimes asserted that those of small incomes have no margin from which capital can be saved. The mere fact of the steady and marvellous growth of capital out of meagre, primitive resources as the race has developed is the final answer to any such claim. As a measure of man's devising mind and his success in taming nature to his uses, capital has become an essential and powerful agent in production, separable from labor, exchangeable among men by loans, practically unlimited in supply, except as it may be limited by the saving propensities of mankind and by the materials (*e. g.*, wood and iron) out of which the concrete forms of capital can be made. Indeed, modern civilization, the every-day present well-being of the race, would be wholly impossible without the efficient aids which man has already created in the multifarious forms of capital.

The differentiation and extension of men's wants and their satisfaction have gone on, however, *pari passu* with, and have been limited by, two things: (1) the growth of science and the arts, and (2) the growth of capital. Primitive capital took the form of spears, bows and arrows, clubs, axes, hammers, cooking-utensils, canoes, ploughs, huts, cattle, and domestic beasts of bur-

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den. These forms of capital were all of crude construction. Later came ships for transportation of goods. The windmill came into use only in the Middle Ages as an improvement on the ancient water-mill. But for thousands of years the tools of men remained much of the same character; they passed out of this condition only by the help of scientific discovery. The new era did not begin until the application of steam and water power to industry was made in England in the eighteenth century. Only in the nineteenth century was the steamship developed; and it is now the chief aid in fishing, which was once carried on by the primitive canoe. Indeed, economic history is nothing more or less than a history of the conquest of nature made possible by the increase of capital and by the extension of applied science. It is a history of marvels.

Capital serves to discount long-continued processes of production. Since we can obtain more goods by the aid of capital than without, we move forward, by inventions touching specialized processes, to adopt methods absolutely impossible without more or less durable forms of capital. Thus satisfactions which meet varied wants become more abundant and cheaper only as indus-

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try is able to use more and more capital—that is, only as production becomes more capitalistic. The only limit to this development, as has been said, is the self-control and ingenuity of the human mind. Hence, not only does capital change the relation of man to his environment and to his ability to satisfy increasing wants, but it enables him to create a system of industry involving an extensive quality of co-operation and division of labor (as against primitive individualism), which would be wholly impossible without it. This is the outcome of capitalism.

### III

We therefore come to see capitalism as a highly beneficent influence in the economic world. It has enlarged the comfort and range of consumption of the poorest toiler on the earth. That truth is unmistakable. Then why is it that in the labor literature of our day “capitalism” is used as a term of reproach, or objurgation? What really resides in the hopeless lament that the laboring classes are, in respect of capital, “disfranchised”?

Capitalism probably has the connotation in the minds of those who thus express themselves

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that it is responsible for the separation of mankind into employers and employees, into masters and servants. Why is it that in the world of industry some men are employers and some are employed? To some of those who have lately come from nations having privileged classes, where many are born to wealth without effort of their own, it may seem that all capital is unjustly owned by its possessors. But apart from inheritance, gifts by privilege, and robbery, the enormous mass of modern industrial capital has come into existence by a personal process of saving, by abstention from personal consumption in order to get it for productive uses. Thus the origin of capital has both a psychic and a physical element. And saving, consequently, depends upon two separate and unlike forces: (1) the strength of the desire to save, the power to realize the future, or, as it has been termed, "the effective desire of accumulation"; and (2) the extent of the margin of income over the necessities of life, or the amount of wealth from which savings can be made. Given a strong desire to save, the amount of capital accumulated will vary with the margin from which savings can be made; or, given the margin, large or small, the amount saved will

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vary with the ability to realize the future. Anything, therefore, which will increase the power of the future over the present will, other things being equal, increase the amount of capital.

The creation and legitimate possession of capital, consequently, requires certain personal qualities—willingness and imagination enough to weigh a future gain over against a present indulgence, self-control, patience, persistence, foresight, and prudence. Those who have these homely virtues become the possessors of capital, and hence employers of others; and those who have them not, who own no capital, must seek those who have capital, and hence are employed by others. The separation into the two great classes of the employers and the employed is thus due to differences in human qualities; but differences of a kind which can be removed by training, environment, and the development of character and civilization. And, conversely, the existing wage system is likely to remain as long as certain elements of human nature remain what they are. Moreover, may it not be a beneficent order of things by which material success—which appeals strongly to many who are deaf to ordinary moral and religious appeals—is set forth as a reward for the

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exercise of many of the simplest virtues? Indeed, one of the fundamental weaknesses of Socialism is that it promises to its votaries the possession of capital through the action of the state, without any personal sacrifice on their part and by removing the very stimulus to character and virtue laid upon them by the existing system of society—more or less faulty though that system may be in other ways.

### IV

We are logically forced to the conclusion, therefore, that there is no limit to the supply of this immensely powerful and necessary factor, capital, except the total increase of wealth over maintenance, and the willingness to save. There is, then, no possible monopoly in capital. By the spread of intelligence and science the total wealth from which savings can be made is increasing, precisely because new forms of capital are being constantly devised which are ever enlarging the productive forces of mankind. To this process there is no end. There is, also, no monopoly of the powers of men to labor or to postpone consumption. It is a matter to be decided only by the individual himself. He is not restrained or



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“disfranchised” by any power outside himself. If a young man with limited skill and intelligence ignorantly marries without having saved anything and immediately begets a large family of children, of course he finds it hard to save on a very small income; and hence he may regard the man who has already accumulated capital as a monopolist to whom he must go for employment. The situation, however, is one of the laborer's own creating; the fault is not in the existing system of society, nor in any limitation to capital, since capital can be saved by any one who is willing to comply with the rules of the game set by the character of human nature and our external environment. In short, the improvement of the position of the poorer laborer is largely dependent on internal ethical growth and self-control. The remedy is, in the main, not social but personal; social in so far as the institutions of society create means by which the individual gains in character.

Such being the essential reasons why some men are employers and others are employed, why some men have capital and others not, the very natural ambition of those who have meagre incomes to enlarge them has created what we have

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come to describe as "social discontent." It would be very unfortunate if those having little did not wish to have more of this world's goods, in order that they may be freed from the deadening effects of monotonous labor without the hope of a decent and cheerful environment. Therefore, "social discontent" is not a thing to be decried, but a thing which, if it did not exist, we should wish to create and stimulate as a means of establishing the needed motive for progress in those who sometimes have no ambition and think they are "disfranchised" (in the industrial sense). Thus given the motive, how may we state the means to the given end? We are all agreed in wishing larger incomes for those in the harder walks of the unskilled; but the really difficult thing is to come to an agreement upon the means of reaching the end desired by us all.

In this field of practical proposals we find a confusion of tongues, a pathetic mixture of lofty purpose and emotional incompetence, absolute confidence combined with rigid prejudices, grasping for power over industrial organizations unaccompanied by a moral sense—some of it more or less honest and sincere, but weakened by the fact that, in the long run, no real progress

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is to be gained through proposals which are not based on fundamental economic principles. To ignore these principles is to court failure. The pity is that in the labor world methods for raising incomes are adopted which lead straight to an *impasse*; but they are the more persistently fought for, the more difficulties they encounter. In the stubborn fight for what are believed to be rights, when no headway is made, ordinary methods of constitutional agitation, accepted codes of morals, are thrown to the winds, and new codes of political and ethical principles are set up to support impossible demands. If it were once understood that the problem is one of means and not of ends (to which ends most men would assent), and that possibly those means are not the best suited to gain the desired ends which stir up insuperable antagonisms, we might be led to hunt for other and easier ways of reaching the same result.

### V

Perhaps the one instrumentality for increasing the shares of working men which has become sacrosanct in the labor world is the union. Is this a means likely to accomplish the desired end?

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Let us examine this means dispassionately, and solely with the aim of testing its probable efficacy for raising the standard of living, and for increasing the consumption, comfort, and enjoyment of the lower range of laborers.

The laborers are urged to regard "trade unions as the means through which to work out their economic salvation."<sup>1</sup> Not only are unions to provide "just wages," but to bring about an equitable distribution of wealth:

Trade-unionism stands for the constructive development of society, it seeks the more equitable distribution of wealth in order that all our people may develop to the extent of their highest and best possibilities.<sup>2</sup>

To such an extent has the enthusiast gone in insisting on the union as the one agent at hand for bringing about a rise of wages and the progress upward of the laboring classes that his vision is obscured for any other means—and this mainly on the ground that the union is the only practical means by which to reform an inequitable system of distribution. Tremendous energy has been put into the cause of unionism in this

<sup>1</sup> John Mitchell, "The Economic Necessity of Trade-Unionism," *Atlantic Monthly*, February, 1914, p. 170.

<sup>2</sup> *Ibid.*, p. 169.

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behalf. That unions have an important place in our economic life no one doubts; but to suppose that the union is the solution of the problem of equitable distribution no one, in his economic senses, believes.<sup>1</sup>

Elsewhere I have tried to emphasize the point—not new by any means—that unions are characterized by the basic principle of monopoly of labor.<sup>2</sup> Their whole economic purpose is to try to raise wages at a given time and place by limiting the supply of labor obtainable by employers. To this it has been replied that “a labor union is not a combination or conspiracy in restraint of trade”; that no decision of the courts has declared that, under the anti-trust act, an

<sup>1</sup> My own position has been misrepresented. The unions, of course, have a perfectly legitimate function in collective bargaining. Nor is it true that I have declared that the courts hold that working men have no legal right to organize. On the contrary, they have as much right to organize as any other body of citizens for any lawful purpose. The morality of a union is like that of a gun; in itself it is neither moral nor unmoral; it depends solely on what use it is put to by those who control it. In approving of labor organizations it is not necessary to believe that everything done by a union is right and moral. A union that blows up people they do not like with dynamite is no more right or legal than Kentucky night-riders who burn other persons' tobacco-barns.

<sup>2</sup> *Supra*, chapter IX.

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organization of workmen "is an unlawful monopoly." Of course not; nor is any lawful organization. The real point at issue is: Does this or that particular combination of laborers commit acts in restraint of trade? If it does, it comes under the penalties of the act, as in the case of the Danbury hatters.

Moreover, in reply to the truism that unions are based on the principle of monopoly, a somewhat irrelevant reply<sup>1</sup> is given that a distinction should be made between organizations formed to control the prices of commodities such as the necessities of life (referring, of course, to the so-called trusts), and those "formed for the purpose of defending and promoting the interests of the wage-earners" (meaning, of course, labor unions). This is obviously an appeal to the feeling of humanity which should not regard human beings as if they were inanimate goods. Of course labor stands in a different category from goods, and the conditions affecting their supply are entirely different: on that we are all agreed. But that distinction is irrelevant to the point at issue. There are organizations of men known as producers "for the purpose of defending and promoting

<sup>1</sup> John Mitchell, *loc. cit.*, p. 164.

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their interests," and there are organizations of men known as laborers "for the purpose of defending and promoting their interests." Both are organizations of men, and both are subject to the same law regulating the actions of men, if either should attempt to restrain trade. It is sophistical to speak as if one group were affected by law and the other not.

This sophistical reasoning goes further. It is claimed that the anti-trust act was never intended to apply to organizations having no capital stock, not dealing in products of labor, and not organized for a profit. It can make no more difference whether an organization violating the law has capital stock or not than whether a violator of the peace has blue eyes or brown eyes. It can make no difference what a combination ostensibly deals in or whether its profits are large or small; the real issue must always be: Has it violated the law of the land? Why, then, should any one be pained to find unions included under the provisions of the anti-trust act? They could not be included merely as organizations, no matter what their purpose, if they did nothing objectionable under the law. If the members of a union are proved to have restrained trade there

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is no reason under high heaven why they should not be regarded as violators of the anti-trust law as well as any other persons or organizations.

Since the formative principle of a union is a restriction of employment to its own members, the attitude of labor leaders to it is highly important. It bears on the large question of the proper means by which the working men may better their position. This attitude is briefly summed up as follows:<sup>1</sup>

If it eventually should be held that labor unions as such are monopolies in restraint of trade and thus subject to dissolution by order of the court, no greater disaster to the orderly, rational, and constructive development and progress of the wage-earning masses will have occurred.

Obviously no union whose acts are lawful is in danger of dissolution. "Trade unions," it is claimed, "strive for peace based upon industrial righteousness."<sup>2</sup> The inference is that whatever, in the eyes of the unionists, is "industrial righteousness," whether forbidden by law or not, should be allowed to unions without danger of dissolution. Who is to decide what it is? The union is to remain peaceful, provided there is

<sup>1</sup>*Ibid.*, p. 163.

<sup>2</sup>*Ibid.*, p. 162.



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allowed to it what it itself interprets to be "industrial righteousness." Are the unions that dynamited bridges and innocent compositors in printing-offices, themselves passing judgment and executing orders of life and death, to be the arbiters of industrial righteousness as the price of peace?

Quite apart from the abuses of union organization (which are, of course, separable from the legitimate services of unions), the economic function of the union is what most concerns us. Taking it at its best, can it produce the results claimed for it?

As has been said, the essential principle of it is the monopoly of labor. It can accomplish its aim of raising the wages of its members only by the limitation of competitors. The basis of its existence is its recognition of the doctrines of demand and supply; to increase price by a limitation of supply. If the whole supply of labor were under control, then the union could produce a complete monopoly and fix price; but since this is, humanly speaking, impracticable, there can be attempts at fixing price only by artificial monopoly. The reason of this failure to function as a perfect monopoly is obvious. The supply

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of labor through births cannot be controlled by unions, as now conducted. If the supply of workers is certain to come forward for physiological reasons quite irrespective of union policy, it is useless to assume any power by unions to fix prices of labor through control of supply. And yet that is the central theory of unionism.

To point this out does not in the least imply any antagonism to the interests of labor. No one is an enemy of labor who attempts to study and depict the actual function of unions. If it can be pointed out wherein the union is incapable of accomplishing all that is blindly claimed for it, and other means can be suggested by which the larger aims of labor can be reached, certainly the one who can do that is a better friend of labor than those who keep driving workmen in a forlorn hope against an impossible wall.

### VI

Are unions, indeed, the only means at hand to accomplish "the orderly, rational, and constructive development and progress of the wage-earning masses"? The statement made in John Stuart Mill's day still remains true, that the extraordinary progress made in industrial output

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and efficiency of production for many decades has not been accompanied by a corresponding enlargement in the income and consumption of the wage-receiving classes, because numbers have increased as production has advanced, and a larger total dividend has been spread over more divisors, giving to each laborer a not much larger quotient than before. If this be true, the future progress of the laboring population depends upon something more than fractional advances in their wages. Is it not beginning to dawn upon the real friends of labor that betterment cannot be permanently or even sensibly advanced so long as men are merely receivers of wages? The union, however, assumes that all depends upon the matter of wages. And yet, looking back, can any sympathetic friend of labor be satisfied with the gains which the workers of our race have won through the mere receipt of wages? Is it not about time, without giving up the acknowledged advantages of labor unions, to direct the minds of workers to larger and more hopeful visions, to possibilities which may more nearly realize their ideals, to other means of progress than those which have met only obstinate antagonism? In short, why not study more carefully the reasons

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why some men, as already indicated, are the employers and why others are the employed?

The central reason why the union is not a means competent to solve the problem of an inequitable system of distribution is that it confines its attempts to control the price of labor to a means of controlling supply which is really illusory. Moreover, the price of anything is also affected by whatever touches the demand for it. The thing to be acquired must have such qualities as will excite in the demander a belief that it will satisfy his need. Granting the need, and the ability to pay, the price will be affected by the utility of the article to be marketed. Other things being equal, the greater the efficiency or utility of labor the greater the demand for it. This is one reason why skilled labor may command higher wages than unskilled. Does the union aim to develop efficiency and utility in labor, in order to obtain higher wages? Evidently not: another instance in which the union, as usually guided, does not conform to general principles which will permanently affect the shares going to labor.

Another economic difficulty has been blinked by those who rest their hopes alone on wages, and try to connect the wages to be paid with the value

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of the product turned out. Even some respectable authorities fail to see that two separate processes of valuation are going on, each independent of the other, both in time and in conditions of demand and supply. The bargaining for wages to workmen goes on at a time before the goods on which they are working have been produced; and labor leaders are right who insist that the supply of labor and the demand for it are affected by all that characterizes human beings on the one hand as distinct from those that characterize inorganic matter on the other. The supply of labor comes forward as a result of the strongest instinct in human beings; and the demand for labor can come only from those who can pay for it (*i. e.*, with funds saved). On the other hand, the finished product is priced at a time after the bargaining for labor has been settled; and the supply of goods comes forward in answer to an offer of purchasing power, and under conditions influenced by efficiency of production, the condition of the arts, inventions, division of labor, and the like. The price-making process, therefore, is clearly distinct in time and conditions for labor on the one hand and goods on the other. The obvious conclusion from this admitted fact, then,

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is that methods of raising wages must be of a kind to affect the pricing of labor and are more or less remote from those affecting the pricing of goods. We find here the fundamental reason why abstract economic theories connecting the amount of wages paid with the value of the product have proved quite inevitably barren.

### VII

If we are obliged to conclude that unionism is not likely to change the existing system of distribution, is there any other agency that will do it? Will socialism do it?

As we have seen, the pith of socialism resides in the collective ownership by the state of more or less of the capitalistic aids to production. Recent socialistic writers, like Spargo, say that it is intended to take over only those forms of capital that are essentially social in character. It is not, of course, proposed to acquire this capital by taxes. Hence, since capital comes into existence primarily through some individual action, collective ownership by the state—provided it can really distinguish between what is essentially individualistic and what is essentially social in character, which is very much to be doubted—can

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only come about by commandeering it, a military word for what between individuals is called stealing. For instance, if a man after years of painful thrift should invest in a railway or telephone bond, then, if the socialists came into power, they would commandeer it, because he had invested in something having a social character. Under such conditions obviously the sources of capital for any enterprise of a social character would be dried up.

But visionaries protest that the state should buy all agencies of a social character. Granted: whence will come the funds? To purchase merely our railways and telephones would require many billions of dollars of capital; yet their cost would be only a small fraction of that of other "social" enterprises such as subways, coal mines, telegraphs, cables, insurance companies, banks, and the like. The sums needed would stagger even a war-heated imagination. There would be created in the United States a public debt greater than the new war debts of Europe. That is, without a war we could have all the satisfactions of enormous war taxes. For what advantages should we submit to such burdens? Simply that some charming idealists believe the abolition of the competitive system—under which all our present enormous

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capital has, in fact, been saved—would change dear old human nature. If, to be sure, men could be thus made perfect, we should be willing to pay this or any price.

What evidence have we that socialism would bring any of these advantages? Nothing but the assertions of those who dream of perfection. As to the ends set forth by socialism we all agree in desiring them. But how as to the means? Some say that the socialists submit a definite plan, and that anything would be better than the present system. In truth, the means to the given ends proposed by the socialists are ridiculously futile. They offer nothing but vague promises of what the state will do. The only definite first step proposed is the seizure of all capital of a social character. That is, by taking away the very incentives to individual saving, by which all this capital has been created, it is seriously proposed that human nature can thereby be changed to near-perfection. Such proposals are childish.

The world needs capital and efficient labor. It must encourage both. So long as there are imperfect men there will be both evil employers and evil workmen. Capitalism, as has been shown, is beneficent; it is man that is capable of moral



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obliquity. The real problem, then, is to change man. Make him perfect and you will not hear of any demands for socialism. The social organism must be constructed with some regard to the biological nature of the animal to be governed in a social life. You cannot make regulations for tigers as if they were rabbits.

When men say the existing system of distribution is unjust and wrong, therefore we must become socialists, they are childishly illogical. Of course there are amazing inequalities of wealth, but it is a *non sequitur* to argue that therefore we should have a share of that wealth. Independent of fraud, robbery, and graft—which are within the reach of existing society—inequalities of wealth are due to differing abilities of men. These differences would not be removed by merely changing the form of society. Imagination and the capacity to see an opportunity—the difference between commercial insight and commercial blindness—in the main make economic opportunity. The son made rich by inheritance does not long command industrial power unless he himself has industrial capacity.

If, at bottom, socialism is based on dissatisfaction with the existing system of distribution, have

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socialists gone fairly and straight into an impartial study of distribution? In the beginning they made the plea that labor alone was the source of wealth. Now that Marxianism has become more or less obsolete, some socialists have become opportunists and ready to help on any one reform—especially if it have government ownership behind it. The result is an obvious disagreement on everything, even on peace. Many who are eager for altruistic service, hurt by the wrongs of human nature, and who have never looked into Marx or even into recent writers, fly, like moths to the candle, to socialism—without having been willing to make a careful study of economic distribution. If acquainted with the laws of chemistry, they see it would be unscientific and dangerous to mix gases; but they do not hesitate, prompted by warm feeling, and without exhaustive economic study, to mix economic gases and cause explosions. Not infrequently one becomes a socialist because of a disappointment in love.

Without doubt, many have reached out to socialism because they find the church and religious agencies have been powerless in taming the wickedness of men. The inconceivable horrors of the European war have taken away from

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many their belief in the possibility of civilizing—to say nothing of Christianizing—men and rulers. But even admitting all this, it is certainly clear that the world will not be reformed by the destruction of capitalism.

### VIII

If, then, dissatisfaction with the existing system of distribution cannot be allayed by reliance on inadequate remedies such as unionism or socialism, in what direction should we look? That is, how can the material rewards of the poorer laboring classes be enlarged?

The upshot of the whole matter is clear in logic and in experience. To permanently raise wages of any group of laborers, we must raise their productive power, or their utility, to the demand. To do that is to place them, by natural monopoly, in the class of the skilled, where their numbers are more or less limited relatively to the unskilled. In other words, supply is thereby directly affected to the permanent advantage of those included. Thus the artificial monopoly of the union (which mistakenly aims at restriction of supply without an advance in quality) is avoided.

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More than this, the mere receivers of wages, in bargaining for a definite wage before work is undertaken, thereby contract themselves out of risk. If the pricing of goods goes wrong and a loss to the employer results, the claim of the receiver of wages is unimpaired. But as the wage-getter is thus freed from all risk he is also cut off from all exceptional gains. The factor assuming industrial risk in the productive process is the one that obtains all exceptional, or differential, gains or losses due to unexpected changes affecting the price of goods. In a young country like the United States a well-established business gains in volume by the mere growth of population and industry; long-continued good management brings exceptional gains by the mere fact of doing a larger business; honesty and good credit bring from banks all the capital needed, in direct proportion to the increased transactions. Moreover, the resources and opportunities of such a country as ours are but partly known, and are constantly opening to the enterprising man who can control capital. These new enterprises, since accompanied by more or less risk, if successful, bring in exceptional gains. In addition, the land of a new country rises in value as it is more

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densely settled; in fact, most farmers of the last generation have gained less by raising crops than by the rise in the price of land.

Consequently, we are obliged not only by experience but by economic analysis to face the fact that the permanent improvement of the wage-earning masses can be gained only by a policy quite different from the one accepted in the past and which forms the essence of unionism. To rise to a higher level the laborer must get some of the advantages possessed by the employer and the risk-taker and thus obtain some of the inevitable differential gains characteristic of a new and growing country. In short, the true remedy for a healthy "social discontent" is more capitalism. Heterodox as this advice may seem, the more it is pondered the more practical, effective, and successful it will prove.

The differences marking off the possessors of capital from those who have none are due, as already pointed out, to differences in training and in human qualities. There is no monopoly in existence to prevent any person from acquiring the power to weigh a future gain over against a present indulgence, to get self-control, patience, foresight, prudence, thrift, and good judgment.

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No one has been thus "disfranchised." If a person has these qualities, he inevitably becomes a possessor of savings, and is thus a capitalist. As a consequence, he can profit by differential gains. If he also buys land, or a home, he may share in the "unearned increment." If he is not an expert in production, he can buy with his savings a share in industries managed by the best experts of the age; since a corporation, drawing a large capital from the small contributions of the many, has, so far as investments go, democratized modern industry. The qualities which come with the saving of capital will also work to restrict imprudent marriages and the birth of more children than can be properly fed and educated. In short, by directing attention to the development in the laborers of certain essential qualities, and calling upon all the educative forces of philanthropy and organized society to aid in that purpose, we shall answer "social discontent" by some permanent gains to industrial efficiency and wages and bring to the support of the wage-earning masses the wide-reaching influences of capitalism.

## CHAPTER XI

### BUSINESS AND DEMOCRACY

#### I

MANY important forms of the social fabric are to-day in the "melting-pot." New proposals are legion. Opinion gathers quickly behind a taking novelty, and conditions are such that it spreads by some lateral absorption like water in a lump of sugar. Modern democracy is receptive and expectant of change—even if only for the sake of change. Currents of impatient protest arise suddenly and flood with Daytonian ruin old established bulwarks of society. Old landmarks are submerged. Reverence for the authority of age and experience—and even of law—is slight. The independence of a strongly individualistic democracy is feeling the pride of new strength, and delights in its power without much thought of consequences. If the rising tide has lifted our anchors, where are we drifting? Are we throwing aside compass and quadrant and sailing by caprice for a port closed in by fog?

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Whether we like it or not, we must face the fact that large groups of men—and women—have found in democracy the opportunity and occasion to give expression to a raw, untrained pride of opinion on the most difficult questions of government and economics. Respect for authority, for those who have achieved something important, for experience and knowledge, has seemingly disappeared. Gross ignorance noisily reigns in the market-place; and the man who refuses to “blow his own horn,” and who bases his claims on his merits, is lost in the crowd. We have democracy growing rank; and leaders settling policies, not according to insight and merit, but according to their effect in catching votes. An untrained, uneducated constituency, no matter how honest, is a very paradise for the demagogue. The confidence of conceit and passion is in direct ratio to ignorance. “Cheek,” brazen effrontery, cocksureness, and unwillingness to hear criticism are the marks of men who guide other men of less force. These are some of the evident results of democracy; but they are as old as Socrates. The same characteristics that trouble us to-day showed themselves in Athens. And yet the world has progressed since those days in Athens.



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On all sides we hear of "social unrest," of socialism, of *sabotage*, and the Industrial Workers of the World. Many intelligent people seem to have acquired a stubborn conviction that no man can have become rich honestly.

It is doubtless true that many forms and opinions are undergoing change. Some things, to be sure, are certainly going by the board. But while changes are coming, the stars in their courses still show us the same firmament. Crews may mutiny against officers; but officers and discipline are still the rule of the sea. We may have eruptions of ignorance and passion; but sooner or later the shallow and the criminal give way before the inevitable, permanent forces of right and progress.

### II

Democracy in its old significance bore on political relations and equality of treatment by the government. But now we hear of industrial democracy and economic equality; that is, since one man's vote is as good as another's, it is assumed that one man's wages should be as good as another's. Right there is the break with logic and human nature: all men never were born equal in industrial capacity, and consequently have no

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right to equal industrial rewards. Indeed, the whole distribution system of wealth is necessarily based on the fact that some men are more efficient in productive industry than others.

There is, moreover, a further association with industrial democracy: it is assumed that the existing system of industry supplied by private capital and managed by individuals is unjust; that men are not getting "social" and economic justice; and that, so long as there are poor men, large fortunes must have been unjustly accumulated. And so we are made aware that, when laborers in any field, having formerly received, say, three dollars a day, are by virtue of strikes now getting five or six dollars, and for less hours in the day, they are not thereby satisfied. They have no intention of stopping the campaign for higher wages; if they have already doubled wages, why not double them again? if they have gained five dollars a day, why not keep on until they have fifty? what is to prevent this consummation? The truth that increasing wages for the same effort increases expenses of production and consequently prices to the consumer is lightly ignored. As long as employers have palatial homes, fine horses and automobiles, and dine at tables of

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Lévi, why should laborers not keep on demanding? In brief, industrial democracy assumes that wealth is unjustly distributed, and its avowed end is a new and different distribution. This purpose every man who has capital invested in his own business must face. It is the purpose of growing numbers in our community; and these numbers, having votes, wish to use state and national legislation to aid in forcing their system on society. Then those who seek high office, and wish to secure these votes, are cleverly bidding for followers under the standard of "social justice." They have spread their sails to catch that particular slant of wind to gain their desired end.

What does "social justice" mean? Supposedly, it means the extension of justice not now obtainable by law to a field of economic rewards in which injustice is assumed. For instance, if wages in some sweated industries are very low, it would be "social justice" to raise them. But if wages should be equal among those of equal earning capacity, how can the wages of the less capable be made equal to those of the more highly capable? Certainly not by legislation. Such a position, however, is not inconsistent with the belief that intelligent legislation may often change environ-

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ment so as better to equalize opportunity and choice of occupation. But we do not need a new phrase, "social justice," to cover justice to men for acts included under accepted codes. For instance, a disease-breeding sweat-shop is a violation of municipal health regulations and to be dealt with accordingly. "Social justice" is a convenient phrase to the politician, because it appeals to most men's sense of dissatisfaction with their material reward, and it is too vague to be concretely challenged.

### III

The reason that some men are rich and some are poor has nothing to do with their goodness; a good man may be stupid or he may have an artistic temperament unaccompanied by practical business sense; while another man, just as honest, may have foresight, good judgment, a cool head, executive ability, and great business sagacity. The former is likely to remain poor; while the latter may amass a great fortune. The former may be a great artist, and, from the side of culture, he may be a more valuable man to society than the latter: it all depends on whether we rate creative art higher than riches. It is no disparage-

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ment to be poor, if one can serve society in other ways than by gaining wealth; and many men gain wealth who do nothing for the well-being of others in society. Now, without attempting to grade the pursuits of men, whether the accumulation of wealth is higher or lower in value than other pursuits, most of us are obliged to face the practical problem of income. It is a purely material question; it concerns man's capacity to get material rewards. To some people—fortunately not all—this is the sole problem. And it may here be observed that socialism is a purely material philosophy; its objective is to overturn existing privately managed industry in order to obtain for the workers more material wealth to consume. They may not get it; but that is their end. It is not their aim to get more goodness, but more material wealth; unless by having more to spend they expect to grow in grace.

By unthinking persons discrimination is thrown to the wind. If they hear of one rich man who is evil, all rich men are evil. Without any economic examination, it is assumed that if a man is rich it can be only because he has got riches at the expense of others, and especially of his laborers. Hence the theory—already alluded to—that work-

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men are right in pressing for higher wages until all shall become equally rich. That is in essence the hope of industrial democracy.

Let us face this assumption. "All the fools are not dead yet," it is true; but it is equally true that the saving grace of common sense is still a characteristic of our American people. Let me give a concrete case which, after all, is only typical of legions of others.

Among the cowboys on a Southwestern ranch was one quiet, silent fellow of eighteen; he rode well, knew the nature of a cow, took a joke on himself good-naturedly, and said nothing. At the end of the month the "bunch blew in" the month's wages at the saloons in the nearest town; but our young man, in a lonesome way, stayed on the ranch and did not go to town. He took the usual jibes, grinned, and said nothing. He was fed and found on the ranch, and at the end of the year he had \$360 to his credit. This went on three or four years. Suddenly he was known to have pre-empted 160 acres of the best land in the region; he built his shack and stocked his farm from his savings. He was a good judge of horses and cattle, and worked indefatigably on his farm—which was truly his "savings bank."

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In one year his wheat sold for \$3,500. His "stand" of alfalfa was as good as any in the country. He needed more help, and he employed some of the boys he had known on the old ranch, and he paid them more than they had earned in the saddle. Then, after having paid for his farm, he had enough to buy an adjoining 160 acres for cash; he had a rapidly increasing herd on the open range. In a very few years he became the owner of 1,200 acres of alfalfa in Texas, apart from his other farms and herds. His annual income at one time some years ago from wheat alone was over \$10,000. Then he invested in more land, bought bank stock, helped build new railways, and was in recent years popularly acclaimed a millionaire.

Now, did this man gain his fortune at the expense of others? Any other of those mad-riding, reckless cowboys could have done the same if they had had the qualities that industrial success demands. Ay: there's the rub. Industrial success is personal, not social. Society is not holding a man down; the existing social system is not keeping men at the bottom; it is their own personal deficiencies that keep them there. Industrial success can be won at a price; and the price

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is observance of the inevitable rules of the game—namely, sobriety, industry, saving, avoidance of speculation, knowledge of human nature, good judgment, common sense, persistence, intelligence, and integrity. No social system ever keeps a man down who has these qualities. Is it not the best thing for the world to find out that industrial success can be won only by the display of these qualities? Is it “social justice” to proclaim to the thriftless, or careless, that the social system is responsible for their scanty means, and that they should claim a share in the wealth of our rich and successful cowboy? He should be made to divide. On with “social justice” to the unfortunate; down with the plutocrats! There is, indeed, much wrong in the world to be righted; but it does not avail to separate wrong from its personal nature and ascribe it to a vague thing like the social system.

### IV

“Yes: what you say is obvious,” I hear some one remark, “but how about the malefactors of great wealth?” In the first place, size is no crime; if business, legitimately carried on, becomes very large, that is a mark of success and of the phe-



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nomenal opportunities of a new country abounding in natural resources, inhabited by a constantly growing population. Great fortunes honestly won are just as possible as small fortunes honestly won. "Very good; but look at the big rascals in high finance," says the suspicious man. Now let us face that point directly. Here is the place to insist upon a significant distinction: robbery, cheating, stealing, falsehood, dishonesty are to-day under the ban of law; the laws of the land are sufficient to convict any perpetration of these wrongs, if there is proof; and we all insist that the law shall be enforced. This we are all agreed upon. But, on the other hand, if I am poor and B is very rich, am I justified in declaring that B is thereby a "malefactor of great wealth." That assumes the economic proposition that no man could become very rich except at the expense of others or by unfair practices. That proposition cannot be admitted for one moment. We may readily admit that some men may have become rich by rascality, by cheating others, by devices which escape the letter of the law, and which are dishonest and unmoral; but it is stupid to say that that is true of all rich men. It is the mark of the untrained mind that it can make no

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discriminations. Indeed, we are living in such a hysterical age that no discriminating judgments seem to be popular. Consequently the business world must face the fact that half-baked teaching, and demagogic appeals to prejudice, have made masses of our people believe that if a man is very rich he is necessarily a bad man. It is assumed that no man ought to accumulate more than a certain amount; and there follows the corollary that the masses of voters, being poor, should force the rich to give up a portion of their accumulations; and one form of this contention appears in a demand for progressive taxes to pay a greater proportion of the expenses of government. Such a policy has no economic basis; it is solely the development of industrial democracy. A counting of noses settles that question, not a counting of economic arguments. As long as economic questions are settled, not by expert advice, but by universal suffrage, there is no help for the business world but the education of the voter.

### V

The equality of political democracy, as I have said, is by facile logic transferred to industrial democracy; but these two realms of human ac-

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tions are founded on radically different bases and conditions. What is true of one is not true of the other. All men have, and should have, equal rights before the law; each should have equal protection of life and property; but if A is sober and thrifty and saves up \$10,000, and if B is never sober and owns perhaps only his horse, then the state owes A the same protection over his \$10,000 that it owes B over his one horse. And the principle is the same whether A has \$10,000 or \$100,000,000—provided he does not violate the rights of others. In industrial democracy B ought to have no more right over A's \$10,000 than he has over my overcoat. Unless that is founded in adamant, what protection has B for his horse against the dishonest, powerful rich man? The Middle Ages is the answer to that.

But industrial democracy openly attacks this system of property and its theory of justice. It is sometimes forgotten that the development of individual private property since 600 A. D. has been a large part of the growth of civil liberty and the acquisition of freedom and equality by the individual. It was not forced on the race by any great conqueror. Like all permanent law, it is an expression of the wishes and customs of the

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race. Our rights to property to-day are what they are because the race is what it is. Now comes socialism, in all its varied proposals, and urges us to put the control of capital and industry in the hands of the state. It is in pursuit of material rewards. If, in the open competition of men with men, in the industrial struggle, B is surpassed by A, he must accept his individual failure; but on what ground can B ask the state to make A share the results of his skill with him? That is the essence of socialism: as I have said elsewhere, it is a philosophy of failure. It is not likely to succeed in the ultimate end; but it is coloring industrial democracy through and through. Its practical form is governmental interference with industry. In the case of public utilities and monopolies there is a reason for the intervention of the state, but it is not a socialistic reason. Whenever an industry is by nature more or less monopolistic, competitive conditions can be best preserved by the supervision of society. But, standing on the rock of civil and religious freedom, one must fight every attempt to regulate and restrict the freedom of individual initiative in industry wherever it may be shown that it does not infringe on the rights of others.

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There is to-day being created a nebulous area in human activities in which the legislatures and the courts are being urged to interfere with the acts of individuals on the ground that the state knows better than the individual what is good for him; that you can make men better by legislation; and can prevent "social power" from going to waste. There is danger in that attitude to the efficiency and virility of the race. For our salvation, while we urge altruistic ideals, we must preserve the soundness of the individual unit if society as a whole is to keep its vigor.

Yet men of note sometimes show a sort of intellectual strabismus on such a simple matter as the functions of capital—which comes into existence only by personal control over consumption, and is necessary to the very existence of modern production on its present scale and necessary to the very consumption of the laboring classes. We are told that "one of the greatest pieces of work mapped out for the workers of this century was to socialize steam as earlier inventions and discoveries had been socialized and made the property of the whole people in past centuries. . . . The nineteenth century saw the greatest revolution of the world—that of feudalism to industrialism. The twentieth century will see an even

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greater revolution, that from the control of capital to the control of men."<sup>1</sup> To socialize steam! Why not socialize the spots on the sun, or the new River of Doubt in Brazil, or the serum of infantile paralysis? Furthermore, who now controls capital but men? Or is it meant that thriftless men who never accumulate any capital should be put in control of capital created by other men? The purpose could be more quickly accomplished by abolishing all laws against stealing.

### VI

The analysis of the whole situation gives us a very clear understanding of what business must face. The essential idea of industrial democracy is equality of industrial rewards. What is being done to reach that objective? Left to purely economic processes, it would be impossible of realization; that is, in the give and take of actual business, it would never happen that the unskilled should receive the same wages as the skilled, or that men of no executive ability should be intrusted with important work of direction in positions of great responsibility and be given similar

<sup>1</sup> William Allen White, as reported in the press, May 14, 1910.

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rewards. Then how does industrial democracy intend to gain its ends? Simply by introducing the machinery and methods of political democracy into industrial democracy; by treating all social and industrial grievances politically. Now, note what that means. It transfers the solution of an industrial difficulty from the realm of economics into the realm of politics. By taking away such a thing, for example, as price-fixing from the realm of economic forces like demand and supply, it hands it over to decision by the political agencies of the state.

Let me illustrate. Railways supplied with capital by private persons serve a quasi-public service and are properly subjected to governmental supervision. Railways, however—leaving out of account fraudulent manipulation—supply transportation supposedly at a price sufficient to cover legitimate expenses and a reasonable rate of dividend on the capital invested. In any ordinary business, when the cost of materials and wages rises, the manufacturer may raise the price of his product to the consumer. Not so with the railways under industrial democracy. The government leaves materials and wages to economic causes which have greatly increased the

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cost of operating the railways; but political agencies prevent the railways from correspondingly raising the rates for transportation.

Suppose the state were to say to men in private business that when wages, rents, coal, and materials rise they must not raise the prices of their goods. How would they feel? They would think that was going a little too far; and yet very similar proposals affecting railways are now before us. Let me illustrate by another instance. Not realizing that wages must be paid in some proportion to earning power, our industrial democracy is proposing to enact a law fixing a minimum rate of wages. Although now introduced for women, it is well understood that it will be followed by similar laws for men. It introduces a new and unjustifiable basis of wages—that wages shall be paid on the shifting basis of what it costs to live—the thriftless to receive as much as the competent.

Because of the growing assumption that it is "social justice" for the state to take away wealth from those who have and give it to those who have not, we are having some remarkable developments in the practice of taxation. Such needs as roads, bridges, schools, asylums, hospitals, care



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of the poor, and the like have been generally regarded as desirable objects of taxation. But now we are undoubtedly confronted with a new theory on which taxation is to be extended. Since great numbers of men are poor and are receiving small industrial rewards, it is proposed that the state should by taxation take from the wealth of the country and expend it in ways that would practically increase the returns of the many. This is the fundamental reason for increasing taxes to meet "social needs." There is an important distinction to be drawn here. On the one hand are those objects which could be carried out only by the power of the state and by some social cooperation beyond the power of individual initiative; on the other hand are those expenditures which, however gracious and appealing, pauperize the classes relieved from desirable self-sacrifice. To-day, it is no exaggeration to say that public expenditures which are intended to catch the votes of the many under the pretense of "social justice" are becoming enormous. The increasing taxes on business are taking on the character of a portent. What is the end? Assuming the growing intention to expend for "social" purposes, new taxes, like the income tax and the tax

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on land value, are devised, but without in any way reducing the burden of existing forms of taxation.

### VII

This vague area in which increasing action by the state is urged is the field wherein all the novel projects of the day arise. This vagueness is a paradise for dreamers, sentimentalists, and revolutionists. If I am not mistaken, one of the side-shows of industrial democracy is the "Return of Government to the People." If any wrong is being done and the "law" is silent, then the sooner a new law is made to cover a new situation the better; we are all agreed on that. Moreover, it must be admitted that the face of the business world is changing; new methods of doing business are superseding old ones; centres of trade are shifting; distance is annihilated; international relations touch our daily transactions. The regulation of the rights of individuals in their new relations is a complex and serious matter. For instance, the development of irrigation and water-power has forced the creation of a new body of law. Also, for instance, the form of our government, with State and federal laws valid

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over the same territory, raises a whole series of new problems as to interstate commerce and the regulation of monopolies. These problems are legion; they are at once new and difficult.

With the history of the growth of civil liberty behind us, with the experience of centuries to warn us, to what kind of persons, and in what way, should we intrust the solution of these problems? The fine flower of Anglo-Saxon civilization—its gift to the rest of the world—is representative government. What is implied in that? Simply that difficult matters of lawmaking should not be left to the untrained, to a hit-and-miss body of all citizens, but that the whole body should pick out the best-trained, the best-qualified, and tell them to give their whole time to this expert service, since the average citizen, busied in industry, has no time or maybe no capacity for specialized study. That is practical, intelligent government for the people and by the people. It is the application of the old principle of division of labor.

Now, on what ground is it advisable to take away the initiative in legislation from representatives of all the people and refer it to the people themselves? On the ground that representatives

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do not represent? Then what is the difficulty in selecting those who do? If we say the whole body cannot do this, then we are effectively indicting the intelligence and motives of this general body of voters. If this be accepted, then they are certainly unfit to pass on legislation which requires specialized expertness. There is no satisfactory answer to this argument. Obviously, the only remedy for poor legislation is greater alertness and responsibility in choosing our representatives. That, in my judgment, is the pith of the whole matter raised by the advocates of the initiative and referendum. Popular voting on technical questions of money, banking, labor, price-regulation, and monopolies is the height of absurdity. If you have an attack of appendicitis you do not call in as surgeon the first stranger you meet on the street. Why do we not need the expert on legislation affecting industry as well as the expert in surgery? We are most truly returning the government to the people when we are placing government in the hands of honest and intelligent representatives, and taking it away from the bigoted and the ignorant, whoever they may be.

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### VIII

In this brief way the salient characteristics of recent thinking known as industrial democracy have been touched upon. Whither are we drifting? What is the meaning to business of this "new thought"? By business, of course, is meant legitimate business, thoughtfully and honestly conducted. It is obvious that such business is threatened with very serious misconceptions, with wide-spread delusions having no economic justification. It is not to the point to say these are illogical or mistaken; saying so does not change the fact of their existence. Fantastic proposals affecting business are urged upon legislatures in order to give the effect of law to some passing wave of sentiment. And we must remember, too, that a great many of these proposals are put forward by enthusiastic radicals who are often quite sincere and honest in their beliefs. Attacks are being made on established institutions; nothing is taken for granted; and the justification for established institutions must be given anew. In short, we can hold the bulwarks of constitutional government only by fighting for them. Democracy gives an open forum for all

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shades of opinion from conservatism to radicalism—and worse; and that is as it should be. If established institutions are the best, they will survive without question; but we are undoubtedly in for a hot debate on fundamentals. I, for one, welcome that discussion; after a full and free discussion the American people have never gone far wrong. A state is dead that cannot bear free discussion. But the situation calls for serious and alert intelligence to watch that the rights of legitimate business are well defended and not weakened. Attacks are not to be regarded as a basis for discouragement, but rather as a stimulus to virile thinking and activity. A dead fish can float down-stream; only a live fish can swim up-stream.

There is no use disguising the fact of a tendency in modern industrial democracy to an exaggerated doctrine of equality; by that I mean a tendency to regard all men as having a right to equal shares of wealth, independent of the God-given differences in mind and body. Dissatisfaction with existing shares, as now distributed, is general; and few there are who are sufficiently trained to explain why rewards are what they are to-day. If dissatisfaction is general, and if economic in-

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sight and training are rare, you have the inevitable field for agitation. Educating the public intelligence is the obvious remedy; but widespread education in economics is a slow process. Meanwhile, gusts of popular opinion, no matter how wrong, are certain to break forth, and the kind of legislators we now choose are likely to follow public opinion in order to retain office. Hence, we are almost certain to have quixotic legislation on business concerns. If wrong, they will do damage. When the radicals are not influenced by reason and experience, there is no teacher so convincing as the merciless blows of disaster. "Experience is a dear school, and fools learn therein." There is probably no other schoolmaster likely to teach the millions of men unable to think correctly in economics. As to the final result there can be no doubt: the light-headed agitator of the day and his followers, buoyed up by an inflated gas of passion, may have a brief flight of triumph, to be followed by a destructive fall to cold fact. In this process damage will be done; both conservatives and radicals will suffer; but the middle truth of common sense and right will always emerge, and the fads will sooner or later be forgotten. The extremes of these outbreaks

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will be diminished in violence just in proportion as public opinion is better educated and better regulated.

### IX

The business man, as a rule, is a coward. He is usually willing to compromise in any serious emergency in order to protect his earnings; his credit is probably extended to the limit of the willingness of the banker to lend; his credit and his operations are dependent on his earnings, which are fully known to his banker. Consequently, it is unusual for him to stand out for a principle or to fight for his rights. How can he as an individual oppose his hundreds or thousands of employees? But if disaster is the inevitable outcome of industrial democracy, he cannot escape it by procrastination. What can he do?

The man who carries on a legitimate business must do the same thing that the employee has done: he must organize, and resort to collective bargaining, for his own salvation. But, it is said, the laws forbid this; while labor unions are being excepted by Congress. A curious hysteria possesses our politicians. The chiefs of the labor organizations sat in the galleries of Congress to



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watch and mark the votes of members in the interest of the labor vote in coming campaigns for re-election. To show how far this hysteria has developed, imagine the effect if the chief leaders of big business were to ask for special legislation and then openly gather in the galleries of Congress to "spot" those who voted against their interests.

Meanwhile, every means should be used to further equality in industry. It should be the aim of every one to see that those of equal capacities should have, as nearly as possible, equal rewards. In the actual whirl of busy production this may not always be so; and our business men are in duty bound to see that there is no cause for complaint on the score of a desire to get profits at the expense of another human being. The rich and successful are under a moral obligation to the poor and unsuccessful. Much may be done to show the workmen that they are regarded, not as machines to earn profit, but as human beings to be given greater comfort and happiness. In the sense of equal wages for equal capacities, industrial democracy can hope for industrial equality.

## CHAPTER XII

### ECONOMIC LIBERTY

#### I

**G**EORGE ELIOT has described tragedy as the irrevocable union of two irreconcilable forces. The main task of life, indeed, seems to be to find adjustments between forces which threaten to be irreconcilable and thus produce tragedy. Too often the issue is either co-operation or tragedy. Marriage is an obvious illustration: two unlike natures mated for life create difficult situations. When Adjustment flies out at the window, Tragedy stalks in at the door.

And so it goes in our public as well as in our private relations: emotional impulses and raw license push men to serve their selfish aims; but license is certain to be met by a power greater than itself. Unrestrained impulse must be wedded to co-operation or else we have tragedy, political and economic. Unless the warring elements of human nature are governed by a co-operating

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political organization, we have disaster in the form of anarchy. Whenever unbridled pride of opinion, spurred on by ignorance, drives men to impose unlegislated theory by force upon others, a would-be irreconcilable force meets the inevitable forces of government—whether it be in nature democratic or absolute—and a catastrophe ensues. The world stops until an adjustment is made. Thus we have come to learn that individuals secure the largest liberty only under some restrictions of law. This is only another way of saying that the expressed will of society as a whole must dominate the will of smaller fractions to the end that all—irrespective of differences in education and intelligence, differences in material possessions, differences in ways of thinking and class inheritances, differences in moral codes—may obtain a larger liberty than is compatible with the attempt of the few to enforce individual opinions upon others.

Our social problem, likewise, shows similar opposing tendencies. The interests of economic factors like capital and labor, absolutely different in nature, are irrevocably mated by the necessity of using them in production to supply our necessary wants; and unless co-operation is reached

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between the two seemingly irreconcilable forces, there arises the inevitable economic tragedy. In attempts at adjustment the raw self-importance and rigidity of the ignorant mind—too often led by fanatics who masquerade under the fair name of idealists—are certain to end in tragedy. Conceit of opinion in economics is generally in inverse ratio to intelligence and knowledge. Where-withal, then, shall we be fed on wisdom? Is Democracy, political or industrial, to be our Moses? "The common sense of the masses," says George Brandes, "and their sharp eye for right and wrong have never been anything but a democratic legend. The masses believe, as a rule, any lie that is given to them in an agreeable form." Is industrial democracy, then, headed for tragedy or for disciplined co-operation between what seem to many, within each of the opposing camps, irreconcilable forces? In our search for truth do we find economic liberty as the equivalent of industrial democracy?

## II

Long ago our race fought for and won the right of religious liberty. No hierarchy or state shall be allowed to interfere with the right of each in-

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individual to select his code of ethics or to worship as his conscience dictates. Protection has been secured even to the so-called witch who worships the divinity in a black cat. Freedom of religious belief secures a safe field within which may be developed that which has spiritual efficiency, whether it be the worship of duty or of the "Unknown God." It is the right of the individual to freedom of thinking; it is a form of extreme individualism in respect of religious beliefs. It does not need the lion of Androcles to show us what has been won since the days of the Roman empire.

Moreover, from the barons of Runnymede to the present time our race has been hewing its way with battle-axe and sword, by argument and by withholding grants of money, to political liberty. Perhaps the fighting is not yet ended. Lord Acton had felt the need of devoting his life to the collection of a great library showing the history of the struggle for political liberty. This struggle gave us the French and the American Revolutions; and we are still required to fight the "political boss," who has as many heads as the reformers have spurts of energy. The love of political liberty has led many fine spirits to meet death, with

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a smile, on the battle-field or on the scaffold. This inborn craving of man is above all material considerations:

“Give me again my hollow tree,  
A crust of bread, and liberty.”

It was the demand for equality before the law and for equal justice to all, high or low. Against this indomitable force was arrayed the selfish greed of power and ambition. In the very nature of man these opposing forces were irreconcilable, and tragedy followed: butchery, revolutions, conquests of empires, and the tottering of absolutism mark the course of that tragedy down to the present blood-drenched fields of Europe. Sooner or later constitutionalism and political liberty must come to announce the adjustment between these conflicting forces of human nature. Political liberty is not a mere compact; it must become an accepted state of mind.

Then we take another step. After having won religious liberty, and having largely established the principles of political liberty, the economic struggles of the day have brought forth a demand for economic liberty. Since the word “democracy” stands forth in the struggle for political

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liberty as opposed to inequality and injustice, the new gospel is sometimes expressed in the demand for "industrial democracy." Obviously, political liberty has had much to do in bringing about economic liberty: protection by the state of life and property, safety of travel and transportation, justice and equal treatment in the courts of law, absence of official castes, and freedom in choice of occupations and places of residence have been the necessary prerequisites for industrial and commercial development. But while dependent on these conditions precedent, economic liberty differs essentially from political liberty; indeed, it deals with things of another kind. It is impossible to argue from the truths of political liberty to conclusions as to economic liberty. For instance, because one man is the political equal of another, it cannot be reasoned that one man is the industrial equal of another. While all are equal before the law, some of us may be mechanical, some artistic, some poets, some stodgy, some unsystematic, some orderly, some lazy, some industrious, some emotional, some cool-headed, some foolish, some sensible, some unpractical, some skilled in knowledge of men and in management of financial and business af-

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fairs. There are as many differing industrial capacities as there are different persons. That is, there is no such thing as economic equality among men; they differ physically, morally, and industrially. They are no more alike than all lands, or all trees, are alike. Men differ industrially as much as a stony New England pasture differs from a cotton-field in the Mississippi delta; or as much as the level prairie of Illinois differs from the orchard and bench lands of the Bitter Root.

Then what is economic liberty? After the emancipation, many negroes believed that political liberty meant license. So to many casual minds economic liberty seems to mean economic license or freedom from effort; the grant by some power outside of themselves of economic satisfactions which will maintain them without labor and sacrifice; or, if they must labor, assurance of a return to which they have a right independent of their industrial efficiency. Society has long ago decided that every one born into the world has a right to be kept from starvation; and our poor laws have long stood as tangible proof of this disposition. But society has never yet assumed that those who will not work, or those who



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are inferior in industrial capacity, shall be supplied from the production of others with satisfactions measured only by the desires of the easily tired. It has been generally assumed that virility and manhood can be gained only by effort and self-sacrifice, and that attaining rewards without them results in an invertebrate man. There is kept in mind the old maxim of the gardener: "The shaken tree bears the more fruit." Shall we find the paradox in economic liberty, too, and learn that undisciplined desire must be met by the restraint of law? Have we been placed on the globe in such an environment that we can enlarge our satisfactions only by the exercise of homely virtues such as forethought, self-control, industry, sobriety, thrift, persistence, and good judgment? There is, on the one hand, the yearning for the flesh-pots; and yet there is, on the other, the wine-press first to be trodden. Are these opposing forces irreconcilable, to be followed by the inevitable tragedy? Or, shall we learn the true way of adjustment based on economic laws? How shall we gain that economic liberty under which each individual shall obtain the largest returns from his own industrial efforts? Is there any other solution, in the main, than that liberty

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which shall offer as an incentive to each the largest individual activity and freedom of choice consistent with the rights of his fellows?

### III

To some minds industrial democracy is fitted to bring us "social justice." In the fierce industrial competition of the day what is "social justice"? When the petted cat of the household is fighting against the stray of the wood-pile, what is justice between them? When one producer of small equipment is fighting against a large producer who can produce more cheaply, is it justice to the consumer to handicap the large producer so that a higher price will allow the small producer to stay in the market? Or has any man—even the small producer—a *droit au commerce*? He has, of course, a right equal to that of any other to enter trade; but it is never true that men have equal success in trade. What is social justice here? Is it the attempt to equalize human capacities by handicapping the superior? There is no need of arguing about such a proposal. Why "break a butterfly on a wheel"? It is not in the power of society to equalize the industrial capacities of men; it may at the best educate and train the differing capacities already marking

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out one man from another. Pear-trees may be improved; but no art of man can make a pear-tree bear roses. Deep down in nature there is some formative power which fixes the individuality of a strain, just as it sets a characteristic quality on the combination of traits forming each separate man.

It cannot be made too clear, moreover, that distribution of wealth has to do with material rewards, and that these rewards must justly bear some relation to the respective services rendered in production. There is a vast difference between well-being and well-living. Obviously, efforts of an æsthetic or spiritual character—although they rank far above material things in the scale of social values—are not in the same class with material rewards; so that the services of men in material production are supposedly to be rewarded in the main by material returns. Therefore, quite irrespective of man's goodness or piety (except so far as it affects his industrial quality) he goes into industry for material recompenses. If, then, men's services in the production of wealth are widely unequal, it is impossible to expect that the material rewards for these services can ever be equal.

In short, differences in wealth are founded in

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the very nature of men as we find them in this world. It cannot, therefore, be supposed that "social justice" purposes to bring in an era of equal industrial shares. Nor is it possible to suppose that "industrial democracy" can ever aim at equality of earthly possessions, so long as dissimilar and imperfect men remain what they are. Since discussions of riches, of wages, of industrial shares belong to a materialistic philosophy (in whose groves socialists also walk and discuss), it may make some of us glory in the distinction that, although our powers in acquiring material rewards are poor indeed, we may acquire merit in digging for treasures in other than materialistic realms.

### IV

What, then, may we expect "industrial democracy" to usher into this world of material rewards? It is impossible to suppose that skill—natural or acquired—should receive the same reward as lack of skill, under any meaning attributed to "social justice." Since we cannot, however, blink the industrial inequalities of men and their rewards, it may be urged that all men should have equal opportunities in industry,

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"Turning, for them who pass, the common dust  
Of servile opportunity to gold."

We must not omit to point out, however, that the ability to see an opportunity is a personal quality granted to some and denied to others. As Bagehot says, it is not enough to have opportunity, it is essential to feel it. Stating the matter baldly, at this very moment to every reader there is equal industrial opportunity; but not every one of us is equally able to see an opportunity when it is presented. Perhaps what the well-wishers of the race mean by insisting on equal opportunity is the training, insight, experience, and nerve to see and take the risks of opportunity. That is, they would like to see something akin to equality in industrial foresight; the distance to which for the social reformer is farther than to Tipperary.

But perhaps this is a man of straw. There must be something more than this in the dissatisfaction of men with their present industrial opportunities. It is no doubt felt that artificial advantages place one man in a position of opportunity and shut another out. For instance, it may be thought that a parent's wealth gives his son an advantage in the competitive struggles of indus-

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try. On the contrary, wealth and the granting of every desire for comfort and luxury is the very destruction of fibre and constructive energy. Phillips Brooks once said to me of a young man: "He has the disadvantage of being rich." In short, it is not the most expensive rod that catches the most trout.

For generations we have heard much of the "Rights of Man"; but all through the French Revolution, as De Tocqueville has declared, liberty was confounded with equality. Of course, he was referring to political liberty and equality. On the other hand, in our groping for industrial democracy it is possible that we are guilty of the same lack of discrimination in assuming that economic liberty connotes economic equality. Now, if, as has been shown, there is no such thing as economic equality, then to assume that there can be no economic liberty without economic equality is to deny the very existence of such a thing as economic liberty—a conclusion we cannot accept for a moment. But, whatever our theorizing about economic liberty may be, we almost instinctively include in the concept equal opportunity in industry. There is, of course, the obvious hindrance of custom and habit which

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restricts competition so that, as in the case of women's wages, unequal opportunity makes for injustice. No restriction, legal or artificial, ought to be allowed to interfere with the equal opportunity to enter industry, to choose the occupation, to rise as skill and merit warrant, to have equal rights to property and life, and to protection from the state in all industrial operations. The demand for equal opportunity, however, is in essence a demand for a régime of free competition. Equal opportunity, in effect, is a way of giving unequal capacities free play to obtain unequal industrial returns.

### v

When the goods of any producer can enter a given market, without interference or restriction of any kind, we say that is a competitive market. Likewise, if there is a free movement of labor or capital into or out of any productive area, we agree that there is free competition. That is, labor and capital are given equal opportunities to enter that field. Yet socialism, in its very foundation, is opposed to free competition; and so, of course, it is directly opposed to equal opportunity. Why? Because the differing industrial

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capacities of men inevitably lead to differing shares of material possessions whenever all men are given equal opportunities to exercise their several and unequal powers. Socialism, therefore, is a protest against unequal shares of material wealth, on the ground that the only way to avoid that result is to avoid free competition and equal opportunity for unequal abilities. Having failed in the field of free and equal contest of abilities, the socialist retreats behind the sheltering skirts of the protecting and paternalistic state and asks for special favors from society. His is a gospel of inadequacy. More than that, it is opposed to "social justice," if that justice includes equal industrial opportunity.

Most socialists have come to their conclusions through an abounding idealism and sympathy with the sufferings of their kind. From the days of Marx and Lasalle, men have gone into socialism not from first having made a profound study of economics, but from first having had a vision of perfection in socialism for which they have afterward sought to find an economic justification. Indeed, the basic incentives to socialism are a dissatisfaction with the existing industrial order, a desire for industrial equality, a wish to escape



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the merciless tests of free competition, and a hearty respect for the uses of capital. There is a bitter sense of inequality due to the fact that some have capital and others not; and it is seen that the possession of capital gives access to tools, employment, and power over the future. More than that, we know by actual experience how merciless is the working of many a capitalist's mind when he is thinking only of getting income from his business. That men are supposed to have an unequal chance at capital, and therefore are under the tyranny of capitalists, is a trite indictment against the régime of free competition. But in the demand for the state ownership of capital lies the fundamental *non sequitur* of socialism—a violation of equal opportunity and social justice. Capital is not a gift of nature; nor can it be a creation of the state in any other way than through the effort of individuals. It is a man-willed, a man-originating resultant. In its legitimate character it is the outcome of the psychic efforts of individual persons. Treble the efficiency of production, treble the output of wealth, and, if you treble that kind of consumption by which nothing is produced in the place of that which is consumed, there is no addition to capi-

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tal. Only by calling on the individual for the moral force that sets a greater gain on a future use than on a present indulgence do we change wealth into capital. Capital is the outcome of self-control, foresight, a power to estimate the future over the present. You may take away wealth from others by highway robbery, by fraud, by "high finance," but you do not thereby create capital. If the socialistic state then proposes to take capital from those by whom it was created and assign it to those unwilling or unable to exercise the qualities by which it is brought into existence, it is flying in the face of social justice, because it is taking from those who are industrially competent and giving without service to those who are industrially incompetent; because it is not assigning economic rewards on the basis of the service rendered. It does not condone the preliminary confiscation of individual capital to say that, after the state gets possession of all, or nearly all, the capital of society, the state will set itself to the task of saving future capital. If socialism is in its theory economically and ethically so indefensible, what could we expect of its practical operation by its well-intentioned, visionary type of votaries? The obvious

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right of each of us to labor according to our own preferences also carries with it the obvious right to save and to be protected in the use of our savings—provided we do not infringe on the rights of others to do the same.

The selfish, evil nature of man shows itself in the control of capital just as in the control of any other power, political or industrial. Large producers do not hesitate to combine their efforts to gain special legislation for the purpose of obtaining special industrial privileges. Virtue and civic honor are by no means confined to the rich. But it is folly to assume that because some capital has not been justly accumulated, some gained by privilege, some not earned but inherited, that capital in general can be lightly confiscated by the state. The vast mass of existing capital has come into existence by the exercise of the homely virtues I have described. Confiscate the results of the exercise of these virtues, and you not only destroy the virtues themselves but you bring about an anæmic, self-indulgent society.

### VI

But why so much in favor of property rights? We are pointedly asked to set a higher value

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on human rights. They certainly are of higher significance. Indeed, property and legal rights should only reflect the human rights of members in society. When a careful, thrifty, hard-working farmer with two children painfully accumulates sleek cattle and good implements in neat, well-painted buildings, he forms an unhappy contrast to the slack laborer near him who lives in a pigsty with a dozen slatternly children. The latter is selected as a type, not of all laborers, but of a special kind near the moral bottom. Our sympathy with the "under dog" makes us all want "human rights" for the latter. Should society take fat cattle away from the one and thereby feed the other? Are not human rights superior to property rights? The troublesome truth is that by confiscating one man's capital, painfully accumulated, society disregards his human rights; and if it supplies the wants of a too large family without reference to industrial services it is removing all motive for self-control and thrift. He must not be allowed to starve? Certainly not; but society should levy on all its members for a poor fund, and not on the one thrifty neighbor, even though he happens to employ him. Industrial democracy here cannot

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mean equal possessions, because the men are unequal in thrift and industry; and equality of treatment demands that the thrifty farmer should have the advantage of human rights as well as the denizen of the pigsty. If the milk in this cocoanut is that in a vague way human rights are supposed to connote equal rewards, then the intellectual acumen of this philosophy is on a par with the tooting of a baby's horn.

But why not form a union of all such laborers who will agree to work only for wages enough to support a large family, with a margin for comforts, and to prevent all others from competing in their district? This is coercion by conspiracy in the form of an artificial monopoly; it is not fit that a union should wish to prevent non-union laborers from the human right to work and thus deny equal opportunity and social justice to others. If perchance a union were formed including all laborers, society would be freed from a poor fund and the burden be deftly transferred to the employers of the district, who thus become almoners for the community. Such a plan could not possibly be regarded as a logical sanction of human rights. But to remove all doubts as to ethics and logic, pass a law fixing the rate men-

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tioned as a legal minimum rate of wages, so as to relieve society as a whole of its duty, thus imposing the burden on the chance employer, and the principle of justice is then established beyond peradventure!

Whatever the economic futility of such thinking, we cannot escape the very pertinent fact that all of us are, deep down in our hearts, more interested in the man of the pigsty and his slatternly children than in the thrifty and successful farmer. It is due to the saving grace of human sympathy which is above and beyond all logic and reason. The thrifty man can and will take care of himself; the man of the pigsty is the real problem of industry.

The unhappy thing in the situation is too often the low ethical code of the owner of capital. In the war of interests he will often rival a labor union in resorts to abuses of power to gain a selfish end. But we must remember that we are indicting the owner of capital, not capital itself. Moral condemnation must fall on men, not on impersonal agents. However we may cauterize the capitalist, capital remains a beneficent and necessary condition of progress for all members of society.

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It is worth noting, however, that the personal process of saving on the part of one man does not interfere with that of another. Capital is legitimately accumulated without being accumulated at the expense of another's capital. We should not charge the evil that men do to the social system. Thus we get a concept of economic liberty for the individual which does not trench on the rights of others. On the contrary, saving, like smallpox, is contagious; and vaccination against it ought to be forbidden. All the analysis of economics and all the resources of psychology should be directed to the means of raising the level of life of the man at the bottom. That goes without saying. That, however, is only another way of saying that his problem is not solved by dragging down the motives for economy and skill, but by trying to create those motives also in the man of the pigsty and thereby to enlarge his industrial efficiency. That is the kind of human rights we wish to provide him with.

### VII

In the open book of human nature we have much to learn. Continually we meet the hard task of adjustment between conflicting human

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forces so as to avoid tragedy. Nimble wits and scant logic often go together. It is easier to act without thinking and (like the politicians) escape before consequences overtake us. It is said that rabbits are great jumpers but not, therefore, great legislators. It becomes us, therefore, to go through the forbidding process of thinking—so far as we are able. In these days of gluttonous emotion we are invited into methods which save foresight and thinking. We must try to think through to the end.

To this point, we have not yet faced the real reason which probably underlies the wide-spread belief in the possibilities of industrial democracy. Among the unsuccessful it seems to be the pillar of cloud by day and the pillar of fire by night which will lead them to the promised land of economic ease. It is believed by many that the existing laws of distribution are unjust; that when one human being works long hours for \$500 or \$600 a year, while another has \$100,000 a year, there is something wrong in the social system. Hence, let us throw bricks, blow up buildings, and overturn existing political institutions in order to reform the world. Unhappily, such methods only bring on tragedy; and the problem re-



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mains unsolved. Not comprehending the personal origin of capital, it is assumed that capital is accumulated at the expense of wages, that large wealth is necessarily won by fraud or special privilege (even though wealth is sometimes won by fraud and special privilege), and that the only hope of labor in the tug of war is to seize all that can be pulled away from the employer. There is no use blinking the fact that organizations of business men plan to elect Presidents and members of Congress, not to obtain the enactment of laws for the good of society as a whole, but to intrench themselves behind some special privilege. Such knowledge creates hatred of the capitalist class; but the wiping out of special privilege will not solve the problem before us. It does not do here to prate hackneyed words about co-operation between labor and capital. The solution is not political nor economic, but ethical. The truth is that ethical changes in the motives and dealings of men directly touch their relative material rewards.

But economic analysis must precede ethical reform. Roads must be made before we can bring in civilization. It begins to be recognized that our economic life is influenced not only by

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the limitations of natural resources but also by the imperfections of mankind. Scarcity affects all things of value. To get them we have to overcome productive obstacles. Fertile land is not unlimited; tin, iron, zinc must be mined. Capital is limited directly by the personal ability to estimate the future over the present, and it provides invention with marvellous tools of efficiency. But labor comes forward in supply for physiological reasons quite unrelated to productive demand. Labor is of all kinds of industrial intelligence and efficiency. The largest numbers settle in the unskilled class, and yet these render the least service to production. On that account the demand is less intense, and the numbers are larger, than for higher classes of laborers. We cannot, by legislation or sympathy, prevent scarcity or abundance from having an effect on wages any more than we can prevent certain trees from shedding their leaves in winter. Nor is it of any more use to say that the results of such principles are unjust than to say that the weather is unjust. If men who can take grave responsibilities are scarce and if the demand for them is imperative, they may be paid \$100,000 a year; and if men who can do only ordinary tasks are nu-

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merous, while the demand for them is not strong, their wages will be low. Simply to say that men cannot live on those low wages as decently as we think they ought does not in itself raise them. No matter how much our feelings are harrowed, philanthropy cannot raise wages above the level fixed by impersonal market conditions. The function of philanthropy seems to be to ameliorate the lot of the unfortunate and unfit during the period of temporary incapacity or during the long interim before they acquire increased productivity. Hence the poor are likely to be with us always. And yet the idealism of industrial democracy seems to hope otherwise. There is an indefeasible hope to bring in by some sort of miracle an equality in industrial rewards, or something better than present inequality.

Without doubt, our real interest is in the problem of the man in the pigsty and his slatternly children. What for them is the message of economic liberty? We know that many of the forces bringing about low wages cannot be removed by the fiat of society. The theories of betterment must frankly admit these facts and must be adapted to them. But, on the other hand, there are open to society methods of amelioration en-

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tirely within its control. These are largely psychological. The wages and the condition of the man in the pigsty can be raised by anything which will increase his productive efficiency—sobriety, industry, manual and mechanical training, education, and self-control. The chief work must be spent on the slatternly children, who should be “caught young” and given a better environment as well as all the advantages of trained efficiency. Society is justified in using all its sovereign powers in building up some means of developing the personal efficiency of each child. Thus the rescue of the group in the pigsty may be accomplished without the spoliation of the thrifty folk who have fat cattle. It is the folly of superficial economic thinking to suppose that the progress of the one is at the expense of the other. Economic liberty does not grant to the man of the pigsty industrial license, that is, the raw individuality of inefficiency, laziness, intemperance, and ignorance and yet allow a claim to the rewards of efficiency. He is to gain larger consumption and more comforts only if he obeys the laws which enable him to gain capital and productive efficiency; and if he develops those qualities he will also obtain higher industrial returns.

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He can get economic liberty only under economic law.

We are thus led to distinguish between two very different sets of wrongs. It is far from sound to assign the ills that men are heir to to the existing social and economic system. Very much of this system has its basis in the character of the earth on which we live and in the very nature of man as he was created. It is not correct to charge up against a system of economic distribution thus founded the wrongs due to the imperfection of man. Wrongs of economic institutions should not be confounded with the wrongs of evil human nature. A bridge thrown across the Niagara River is neither just nor unjust, neither right nor wrong; but the man who entices another upon it in order to throw him over is subject to moral judgments. It is not going too far to say that most of the industrial evils complained of to-day are not to be attributed to a vicious social and economic system, but to the bad manifestations of sinful human nature. The inference, then, is obvious. Discriminate between the wrongs assignable to the social system and those assignable to human nature. The removal of the shocking evils in our midst is not to

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be accomplished by overturning social institutions, by wiping out private property, or by denying economic distribution. Even if you could do all these things, you would still have the same old human nature at work, certain to be the source of most of the evils we now endure. The only thing that counts permanently is the slow, gradual, steady uplifting of human nature. This must be the main objective of industrial democracy. You do not save the sinner merely by changing his coat. We wonder that the church has not done more with human nature. Could we expect more from socialism? It is one thing to admit, and sympathize with, the wretchedness all about us, which we should only too well like to eradicate from the world. It is quite another thing—after the kingdom of Christ has been preached for twenty centuries, only to be followed by the most merciless war of all history—to suppose that a mere scheme for the confiscation of capital and its transfer to the control of the state will bring about the perfection of man and exact justice for all. To-day, as in the days of an old writer, we seem to be obliged to confess that “The descent to Hades is the same from every place.”

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### VIII

There is, therefore, much empty declamation about the wrongs of our social system and much vague longing for a new industrial democracy. Raucous noises are not argument and dreams are not convincing by daylight. The problem of economic liberty before us is one which involves the betterment of the individuals out of whom society is built and from whom society takes its color and characteristics. Our social system will be as good as the individuals of whom it is composed.

Say what we will, in our search for economic or political liberty we come back to the individual. At Tuskegee or in the slums of Chicago we have the same problem of stimulation to the motives for production and then the training to give productive efficiency for supplying a larger consumption and a higher standard of living. We are again met with the necessity of making an adjustment between seemingly irreconcilable forces. On the one hand, we cannot grow as a society without a healthy growth of individual energy. Every possible stimulus should be given to the motives which impel each individual to enlarge

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his well-being. You cannot have a good field of wheat unless after the sowing the separate kernels of wheat germinate. You cannot have capital unless separate persons save; you cannot have labor unless individual persons work. When Colbert fixed for the factories of France the size and coloring of the tapestries they might make, he hindered the development of individual initiative which might have originated a thousand improvements hardly to be conceived by a single ruling mind, no matter how great. There is the greatest economic liberty in the state that offers the greatest rewards to individual activity, consistent with the rights of others. After having framed this sentence, I found the following statement by a well-known jurist: "Each man may develop himself, but only so far as his doing so will not interfere with the exercise of a like right by others. . . . Liberty . . . insists that the full development of each individual is not only a right but a duty to society, and our best hope for civilization lies not in uniformity but in differentiation." These were the words of Justice Brandeis. Indeed, we base and justify private property only on the granting to each individual of the results of his own exertions. The truth which



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lay behind the much-abused and little-understood concept of *laissez-faire* was a protest against that despotic and unwise interference with private industrial initiative which was the very life of industry, and the restriction of which in the days of the *Grand Monarque* withered the prosperity of the nation. In effect, only that governmental interference is justified of economic liberty which allows the greatest industrial freedom to the individual within the field of equal rights. As the state interferes with highwaymen so that women and children may walk our streets in safety, so it may rightly interfere, in the interest of equality of opportunity and social justice, for instance, not only with selfish organizations of employers which aim to use legislation to control prices, but also with excited strikers who try to prevent other laborers from working.

On the other hand, while individual initiative is as necessary to economic health as live cells in the tree are necessary to leaves on the boughs, economic liberty is the resultant of individualism under the curb of disciplined co-operation in society. Raw individualism is the untamed bull at large; disciplined individualism is the ox ploughing corn. To inveigh against individual-

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ism is like denying the need of hydrogen in forming a drop of water. The singling out of one factor in a complex combination has always been the mark of the impetuous enthusiast whose fiery spirit burns the hotter the narrower the chimney of his mind. In the beginning God seems to have created all men as individualists; and the main history of the race in its social contacts is a story of the adjustment between the vigor and initiative of individualism with that disciplined cooperation by which alone we come to possess in largest measure the fruits of economic liberty. If God made us all individualists, life has made us all co-operators. While there is the greatest political liberty under law, so there is the greatest individual economic liberty under economic law.

In our industrial life we are continually forced to make adjustments between seemingly irreconcilable forces in order to avoid tragedy. We are called upon for intelligence, training, common sense, and sympathy. In bringing in the reign of liberty under economic law, we must needs be patient as well as hopeful. Remember that the June sun begins to come north in December.

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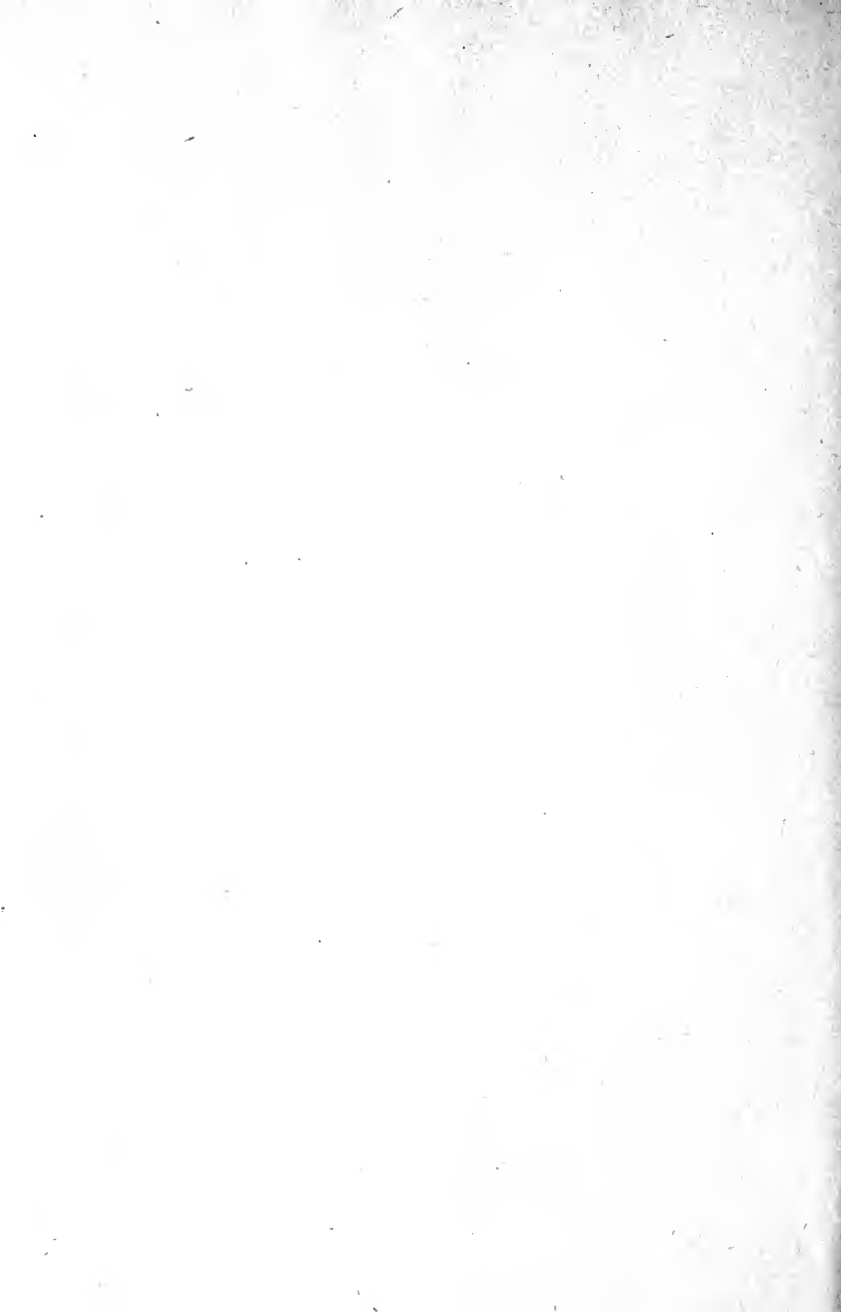
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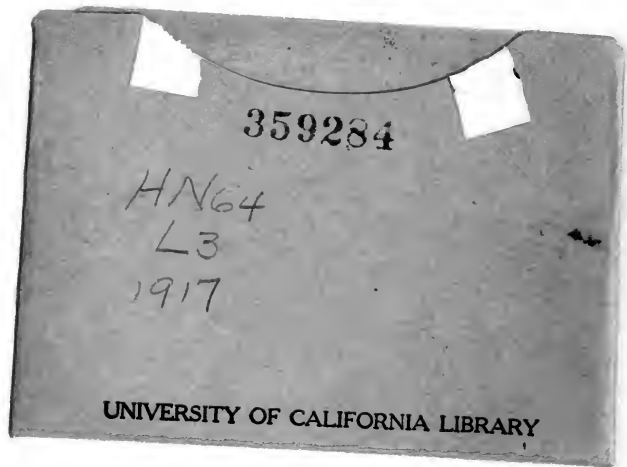
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